

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Montcalm County	County Montcalm
Audit Date 9/30/05	Opinion Date 1/19/06	Date Accountant Report Submitted to State: 3/28/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Abraham & Gaffney			
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		ZIP 48823	
Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Jones</i>			Date 3/27/06

Montcalm County, Michigan

FINANCIAL STATEMENTS

September 30, 2005

Montcalm County, Michigan

September 30, 2005

BOARD OF COMMISSIONERS

Patrick Q. Carr	Chairperson
Ron Retzloff	Vice Chairperson
Marcia Walker	Commissioner
Dan Petersen	Commissioner
John Johansen	Commissioner
Carl Paepke	Commissioner
Roger Caris	Commissioner
John McCrackin	Commissioner
Ronald Baker	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

John Berchtold	Controller/ Administrator
Chris Hyzer	Finance Officer
Marcia Sawdy	Treasurer
Kristen Millard	Clerk
Lori Wilson	Register of Deeds
Donald Cooper	Drain Commissioner
Andrea Krause	Prosecuting Attorney
William Barnwell	Sheriff

Montcalm County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Road Commission for Montcalm County, which represents 76% of the assets and 57% of the revenues and other financing sources of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2006, on our consideration of Montcalm County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 19, 2006

MONTCALM COUNTY

OFFICE OF THE COUNTY CONTROLLER

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Management's Discussion and Analysis

This section of Montcalm County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on September 30, 2005. Please read it in conjunction with the County's financial statements, which follow this section. For discussion and analysis of the financial statements of the Road Commission for Montcalm County and the Mid-Michigan District Health Department, please see their separately issued financial statements.

Financial Highlights

This is the third year of implementation of Governmental Accounting Standards Board (GASB) Statement number 34. The reporting becomes similar to that of a private sector entity. All of the governmental activities and all of the business type activities are separately combined to report a government wide financial statement for each of the separate activity types. Some of the results for this fiscal year can be reviewed and highlighted.

- Governmental Activities Net Assets increased significantly during the 2005 fiscal year. Net Assets decreased \$669,217 (after a prior period adjustment) to \$7,499,786, an 9% decrease. Unrestricted net assets increased from \$ 4,372,893 to \$4,975,900, a 13.8% increase.
- Business-Type Activities Net Assets increased \$238,295 to \$10,030,864, a 2.4% decrease. Unrestricted Net Assets increased from \$ 8,763,965 to \$8,994,773, a 2.6% decrease.
- Governmental Activities expenses totaled \$19,671,965. \$9,781,693 of those expenses were financed by service charges, contributions, or grants. Tax revenue, revenue sharing, transfers from Business-Type Activities, and other general revenues financed expenses of \$10,239,430.
- The Ambulance Fund expenses totaled \$2,570,523. Service charges and grants financed \$1,928,163 of that amount. The remaining amount was financed by tax revenue, revenue sharing and other general revenue.
- The Delinquent Tax Funds generated service charge revenue of \$807,341. The revenue exceeded expenses by \$236,060, before considering interest earnings generated by the funds.
- The depreciated cost of the governmental capital assets at September 30, 2005 was \$14,927,379.
- The Ambulance Fund generated a negative cash flow of \$64,022 during 2005. Capital purchases and increased operating costs were the primary reasons.
- The Delinquent Tax Funds generated a negative cash flow of \$757,842 during 2005. This was primarily due to transfers to the General Fund for debt service and operations.

- Pension Trust Fund net assets increased \$1,078,793 to \$14,812,545. This was primarily due to increase in the interest rate on investments.

Overview of the Financial Statements

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the County government, reporting the County's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
- Proprietary *fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the ambulance service.
- Fiduciary *fund* statements provide information about the financial relationships - like the retirement plan for the County's employees - in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of Montcalm County's Government-Wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Government Funds	Proprietary Fund	Fiduciary Funds
<i>Scope</i>	Entire County government (except fiduciary funds)	Activities of the County that are not proprietary or fiduciary, such as police, fire, and parks	Activities the County operates similar to private businesses; the ambulance service, and building official	Instances in which the County is the trustee or agent for someone else's resources, such as the retirement plan for County employees
<i>Required financial statements</i>	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the County's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net assets* and how they have changed. Net assets - the difference between the County's assets and liabilities - are one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net assets are an indicator of whether or not its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider the additional nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure.

The government-wide financial statements of the County are divided into three categories:

- *Governmental activities* - Most of the County's basic services are included here, such as the Sheriff, courts, public works, and parks department, and general administration. Property taxes, service charges, state and federal grants finance most of these activities.
- *Business-type activities* - The County charges fees to customers to help it cover the costs of certain services it provides. The County's ambulance service is included here.
- *Component units* - The County includes other entities in its reports. Although legally separate, these "component units" are important because the County is financially accountable for them. Examples are the Road Commission, Drainage Districts, and the District Health Department.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most *significant funds* - not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The County Board of Commissioners establishes other funds to control and manage money for particular purposes (like Solid Waste) or to show that it is properly using certain taxes and grants (like aid from the Michigan State Housing Development Authority).

The County has three kinds of funds:

- *Governmental funds* - Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the County's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - We use *internal services* (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities - such as the County's Office Equipment Pool Fund.

- *Fiduciary funds* - The County is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Financial Analysis of the County as a Whole

Net assets. The County's combined net assets decreased 2.40% to \$17,530,650 at September 30, 2005. (See Table A-1)

Table A-1							
Montcalm County Net Assets							
							Total
	Governmental		Business-type				Percentage
	Activities		Activities		Total		Change
	2004	2005	2004	2005	2004	2005	2004-2005
Current and Other Assets	7,060,619	7,481,513	9,016,331	9,308,429	16,076,950	16,789,942	4.43%
Capital Assets	16,594,244	14,927,379	988,784	995,696	17,583,028	15,923,075	-9.44%
Total Assets	23,654,863	22,408,892	10,005,115	10,304,125	33,659,978	32,713,017	-2.81%
Long-term debt outstanding	13,440,810	12,902,575	6,127	1,802	13,446,937	12,904,377	-4.03%
Other Liabilities	2,045,050	2,006,531	206,419	271,459	2,251,469	2,277,990	1.18%
Total Liabilities	15,485,860	14,909,106	212,546	273,261	15,698,406	15,182,367	-3.29%
Net Assets							
Invested in capital assets,							
net of related debt	2,715,843	1,582,253	978,332	989,569	3,694,175	2,571,822	-30.38%
Restricted	1,080,267	941,633	50,272	46,522	1,130,539	988,155	-12.59%
Unrestricted	4,372,893	4,975,900	8,763,965	8,994,773	13,136,858	13,970,673	6.35%
Total Net Assets	8,169,003	7,499,786	9,792,569	10,030,864	17,961,572	17,530,650	-2.40%

Total Net Assets decreased 2.40%. This was primarily due to the capital asset prior period adjustment for the governmental activities.

Of the total Current and Other Assets figure of \$16,789,942, \$11,028,022 is Cash or Investments. That represents 66% of the total current assets, down from 70% from the previous year. Of the total cash and investments amount, \$5,513,785 was in the Delinquent Tax Revolving Fund. This figure is down \$217,618 from the previous year. The fund's primary purpose is to administer collection and distribution of delinquent real property taxes. Any surplus in the fund is currently pledged to the payment of debt service on new construction indebtedness that began in 2000 and to increased operating costs of a county jail that was expanded and began full operation in 2002. Receivables of \$3,908,515 represent another 25% of the current assets. This is down from 27% in the previous year. \$2,151,055, or 55%, of that amount were Delinquent Tax Receivables. This is up from 53% in the previous year.

The total depreciated cost of capital assets reported in the governmental activities statement of net assets is \$14,927,379, compared to \$16,594,244 in the previous year. The gross cost of those assets is \$25,641,934, compared to \$25,380,861 at the end of the previous year. The accumulated depreciation on those assets is \$10,714,555, compared to \$8,786,617 at the end of the previous year.

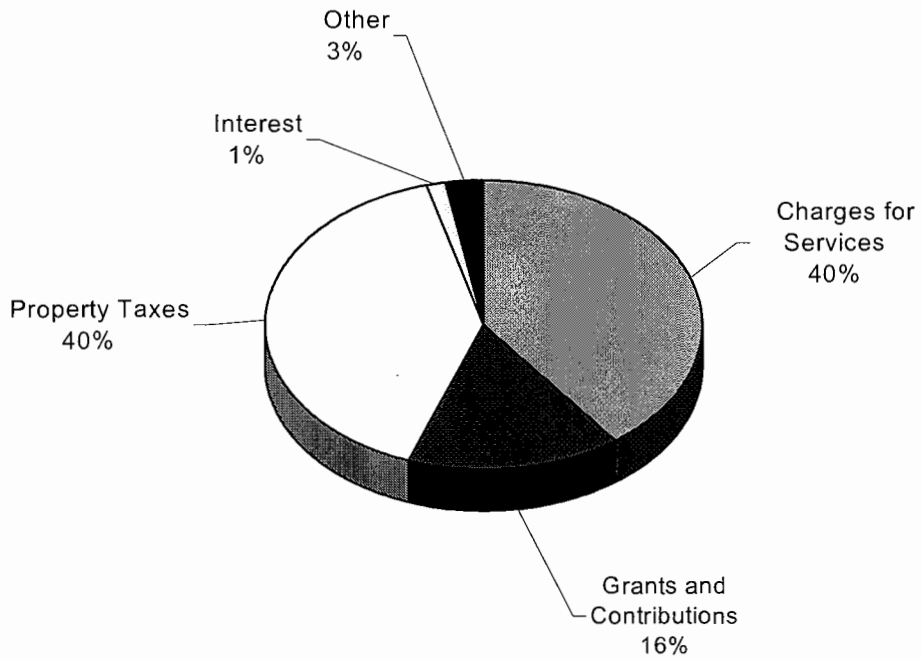
Changes in net assets. The County's net assets increased by \$587,453 (See Table A-2). Governmental activities net assets increased \$349,158. Business-Type activities net assets increased by \$238,295.

Table A-2
Changes in Montcalm County's Net Assets

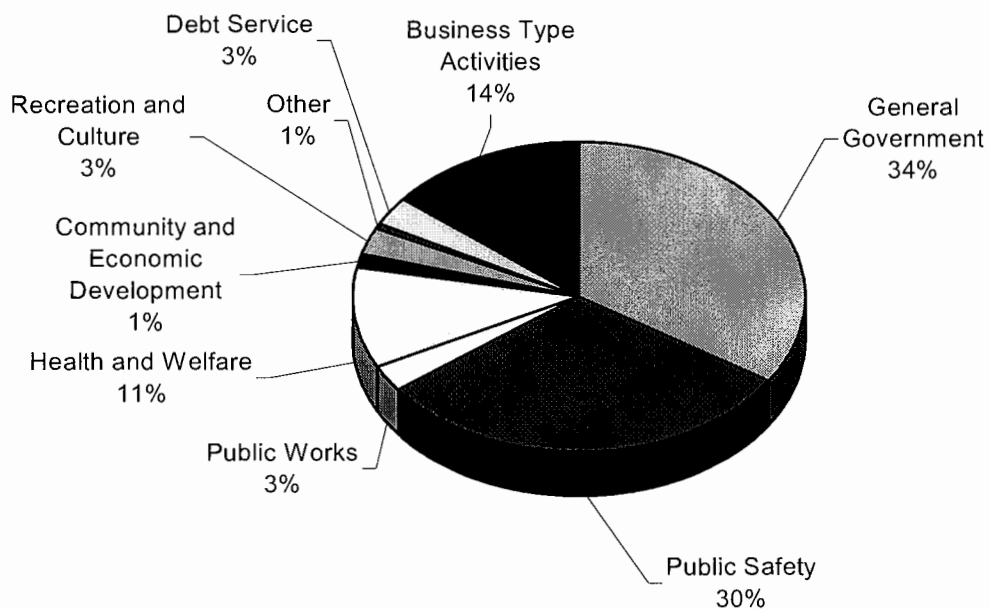
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Revenues							
Program Revenues							
Charges for Services	6,072,634	6,063,259	2,956,628	3,250,451	9,029,262	9,313,710	3.15%
Grants and Contributions	3,282,164	3,718,434	43,391	29,459	3,325,555	3,747,893	12.70%
General Revenues							
Property Taxes	6,244,861	8,825,582	593,301	639,632	6,838,162	9,465,214	38.42%
State Shared Revenue	1,288,336	-	15,481	-	1,303,817	-	-100.00%
Interest	70,566	169,959	105,088	139,894	175,654	309,853	76.40%
Other	251,458	622,905	92,752	13,966	344,210	636,871	85.02%
Total Revenues	17,210,019	19,400,139	3,806,641	4,073,402	21,016,660	23,473,541	11.69%
Expenses							
General Government	6,625,210	7,831,173			6,625,210	7,831,173	18.20%
Public Safety	6,056,858	6,975,069			6,056,858	6,975,069	15.16%
Public Works	236,200	615,003			236,200	615,003	160.37%
Health and Welfare	2,742,372	2,466,143			2,742,372	2,466,143	-10.07%
Community and Economic Development	103,313	275,626			103,313	275,626	166.79%
Recreation and Cultural	639,176	677,608			639,176	677,608	6.01%
Other	131,115	133,145			131,115	133,145	1.55%
Debt Service	708,145	698,198			708,145	698,198	-1.40%
Delinquent Tax			83,860	99,773	83,860	99,773	18.98%
Jail Commissary			100,230	93,629	100,230	93,629	-6.59%
Building Official			420,011	450,198	420,011	450,198	7.19%
Ambulance			2,532,763	2,570,523	2,532,763	2,570,523	1.49%
Total Expenses	17,242,389	19,671,965	3,136,864	3,214,123	20,379,253	22,886,088	12.30%
Excess (deficiency) before special items and transfers	(32,370)	(271,826)	669,777	859,279	637,407	587,453	
Special item: Gain (loss) on Capital Asset Sales	424,845	-	(75,337)	-	349,508	-0-	
Transfers	710,226	620,984	(710,226)	(620,984)	-	-0-	
Increase (decrease) in net assets	1,102,701	349,158	(115,786)	238,295	986,915	587,453	

In general, an increase in net assets means that current citizens and taxpayers are paying for services being provided today. A decrease in net assets means that current citizens and taxpayers aren't contributing enough to pay for the services they are currently receiving. The allocation of revenues and expenses to the categories displayed in the Statement of Changes in Net Assets can be displayed graphically, as follows:

Sources of Revenue for Fiscal Year 2005



Functional Expenses for Fiscal Year 2005



Financial Analysis of the County's Funds

Governmental Funds

Governmental Funds include the General Fund, Special Revenue Funds (Parks, Commission on Aging, Child Care Fund, etc.), Debt Service Funds, and Capital Project Funds. For the fiscal year ended September 30, 2005, the County's governmental funds reported a total Fund Balance of \$5,971,717. Of that amount, \$4,524,877 was unreserved and undesignated. The unreserved/undesignated Fund Balance decreased \$23,113 from its September 30, 2004 level. This change will be examined more closely on an individual fund basis.

General Fund. The total General Fund Fund Balance increased by \$384,467 to \$2,490,883 at September 30, 2005. The increase is allocated to the following categories of Fund Balance:

Reserved for Prepayments	\$ 32,709
Reserved for General Fund Activities	200,105
Unreserved-Undesignated Fund Balance	<u>151,653</u>
Total Increase	\$ 384,467

The reserve for prepayments increased as the result of payments for workers compensation insurance being paid for before the end of the fiscal year. Expenditures for these items that were paid during the 2005 fiscal year, but benefit periods after the end of the fiscal year, are recorded as prepaid expenditures.

General Fund Activities include the Economic Development Reserve, Michigan Justice Training Program, and the Survey and Remonumentation Program. Grant funds and contributions for these programs that are not used are reserved and dedicated to the future activities of those programs. The Economic Development Reserve has been used to fund the activities of the Montcalm Alliance and the newly formed Planning Commission. The Reserve will fund a countywide master land use plan future fiscal years.

The unreserved-undesignated Fund Balance increased \$151,653 to \$1,769,504 at September 30, 2005. The year-end unreserved-undesignated Fund Balance figure represents 12.2% of 2005 General Fund expenditures. The decrease was due to the transfer to the Revenue Sharing Reserve Fund. The Board of Commissioners also adopted a budget that was conservative in nature so as to protect itself from final results not meeting expectations.

General Fund Revenue was less than the final amended budget by \$200,272. General Fund revenue for 2005 totaled \$14,919,690 vs. \$12,166,849 in 2004, a \$2,752,841 increase. The following items were the reason for the revenue increase:

- Property Taxes increased from \$5,386,814 in 2004 to \$7,878,645 in 2005. This was due to the change in state law; that counties would collect 1/3 of their taxes in the summer.

General Fund Expenditures was less than the final amended budget by \$705,652. General Fund expenditures totaled \$14,535,223 in 2005 vs. \$11,790,208 in 2004, a \$2,745,015 increase. The following items were the primary reason for the expenditure decrease:

- The General Fund appropriation to the Revenue Sharing fund was zero in 2004 and 1,977,950 in 2005. This was caused by a change in state law where 1/3 of the County tax levy needed to be transferred to the Revenue Sharing Reserve Fund.
- The General Fund appropriation to the Equipment Purchase and Replacement Fund increased from \$104,690 in 2004 to \$245,684 in 2005, a 23.5% increase.
- The General Fund insurance and bonds cost, including claims and judgments, decreased from \$190,224 to \$125,080, primarily related to a decrease in the claims and judgments cost.
- The Survey and Remonumentation expenditure cost increased from \$40,451 to \$111,056. This was primarily a timing difference due to grant expenditures being incurred at different times of the fiscal year.
- Various other expenditure budgets increased by \$5,000 to \$10,000.

Special Revenue Funds. The Special Revenue Funds in total ended the 2005 fiscal year with an unreserved-undesignated Fund Balance of \$1,647,037. All of these funds meet the criteria for nonmajor funds for financial reporting purposes. This is increased from \$1,541,513 at the end of the 2004 fiscal year. The Fund Balances for each of the individual funds at September 30, 2005 as compared to September 30, 2004 are as follows:

Fund	2004 Total Fund Balance	2005 Total Fund Balance	Change	2004 Unreserved Fund Balance	2005 Unreserved Fund Balance	Change
Parks and Recreation	2,112	4,053	1,941	2,112	4,053	1,941
Solid Waste Planning	628,640	377,897	(250,743)	628,640	377,897	(250,743)
Central Dispatch	709,035	-	(709,035)	567,163	-	(567,163)
Friend of the Court	128,795	131,556	2,761	35,618	38,473	2,855
Law Enforcement	3,102	1,419	(1,683)	2,682	999	(1,683)
County Libraries	1,414	1,659	245	1,414	1,659	245
Law Library	1,890	2,430	540	1,890	2,430	540
Commission on Aging	250,347	201,678	(48,669)	250,347	201,678	(48,669)
DHS Child Care	3,332	3,848	516	3,332	3,848	516
CDBG Housing	4,440	3,669	(771)	4,440	3,669	(771)
Juvenile Child Care	384	2,111	1,727	384	2,111	1,727
Drug Law Enforcement	1,239	6,758	5,519	1,239	6,758	5,519
CIS	21,575	23,765	2,190	21,575	23,765	2,190
Veterans Trust	391	1,241	850	391	1,241	850
Public Improvement	15,897	17,176	1,279	15,897	17,176	1,279
Soldiers and Sailors Relief	3,638	3,675	37	3,638	3,675	37
DHS	6,640	53,376	46,736	6,640	53,376	46,736
CMET	5,415	78,374	72,959	-	-	-
Register of Deeds Automation	57,305	87,307	30,002	57,305	87,307	30,002
Cemetery	13,927	13,087	(840)	-	-	-
Law Enforcement Trust	17,308	20,449	3,141	-	-	-
Victim Support Team	409	2,010	1,601	-	-	-
Local CO Training	10,210	19,174	8,964	10,008	19,174	9,166
Revenue Sharing Reserve	-	653,129	653,129	-	653,129	653,129
Central Dispatch Authority	-	404,177	404,177	-	249,102	249,102
Total	1,887,445	2,114,018	226,573	1,614,715	1,751,520	136,805

Some financial highlights for some of these individual funds are as follows:

- The Solid Waste Planning Fund decreased its fund balance to \$377,897, after grants to local units.
- The Register of Deeds Automation Fund increased its fund balance to \$87,307 at the end of the 2005 fiscal year from \$57,305 at the end of the 2004 fiscal year.

Proprietary Funds

Proprietary Funds include Enterprise Funds (Ambulance Fund, Delinquent Tax Funds, Inmate Commissary Fund, Building Official Fund) and Internal Service Funds (Office Equipment Fund, Retiree Health Benefits Fund). The Enterprise Funds had total net assets at September 30, 2005 of \$10,030,864. Of that amount, \$989,569 was invested in capital assets, net of related debt. Internal Service Funds had net assets of \$158,471 at September 30, 2005 with \$11,750 of that amount invested in capital assets, net of related debt.

Enterprise Funds. The Ambulance Fund had net assets of \$1,281,020 at September 30, 2005. Of that amount, \$959,276 was invested in capital assets, net of related debt. The net assets increased by \$1,821 during the 2005 fiscal year. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

	Sept. 30, <u>2004</u>	Sept. 30, <u>2005</u>
Operating Revenues	1,718,543	1,945,634
Operating Expenses	2,532,763	2,570,573
Operating Income (Loss)	(814,220)	(624,889)
Nonoperating Revenues	523,651	629,611
Income (Loss) Before Transfers	(290,569)	4,722
Transfers In (Out)	1,000	(2,901)
Change in Net Assets	(289,569)	1,821

The Delinquent Tax Revolving Fund had net assets of \$8,667,230 at the end of the 2005 fiscal year. The net assets increased \$236,060 during the fiscal year. The fund generated a net income of \$853,243 during the fiscal year, but then transferred \$617,183 to the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Board of Commissioners approved revisions to the County budget several times. These budget amendments primarily fall into three categories:

1. Amendments approved shortly after the beginning of the fiscal year to reflect actual beginning fund balances and to transfer items from the prior year budget to the current year budget that were still in process.
2. Increases in appropriations to approve budget overruns.
3. Amendments after quarterly reviews to revise initial budget estimates.

A comparison of beginning revenue and expenditure budgets to the final budget follows:

	Original	Amended		%
<u>Revenue</u>	<u>Budget</u>	<u>Budget</u>	<u>Change</u>	<u>Change</u>
Taxes	5,826,253	7,786,875	(1,960,622)	33.65%
Licenses and Permits	111,624	180,224	(68,600)	61.46%
Intergovernmental	2,108,655	1,343,718	764,937	-36.28%
Charges for Services	3,120,444	3,103,899	16,545	0.53%
Fines and Forfeits	155,250	155,250	-	0%
Interest and Rents	204,500	216,400	(11,900)	5.82%
Other	265,720	284,468	(18,748)	7.06%
Other Financing Sources	1,133,701	2,049,128	(915,427)	80.75%
Total Revenue and Other Financing Sources	12,926,147	15,119,962	2,193,815	16.97%
<u>Expenditures</u>				
General Government	6,240,751	6,489,569	248,818	3.99%
Public Safety	4,421,005	4,463,260	42,255	0.96%
Public Works	100,000	109,800	8,800	9.80%
Health and Welfare	824,460	841,421	16,961	2.06%
Community and Economic Dev.	50,080	51,080	1,000	2.00%
Other	272,200	143,923	(128,277)	-47.13%
Debt Service	31,990	31,990	-	0%
Other Financing Uses	1,064,666	3,109,832	2,045,166	192.09%
Total Expenditures and Other Financing Uses	13,005,152	15,240,875	2,235,723	17.19%

While the change in total revenue and total expenditures is not significant at 16.97% and 17.19% respectively, there are some individual categories that did change significantly.

Property tax revenue represents 51% of the General Fund revenue budget. It did not change significantly. The change of \$1,960,622 was due to the collection of 1/3 of 2005 winter tax levy in July due to the change in state law.

The Licenses and Permits revenue budget increased by 61.46%. The increase was due to an increase in revenue from dog licenses. The County instituted an amnesty program to allow licenses to be purchased without penalty. The program was followed up with a dog census to find all the dogs in the County, including those unlicensed. The result was a substantial increase in the number of dog licenses purchased.

The Other expenditure budget includes contingency. The initial contingency budget was \$125,000. Contingency was reduced to transfer costs to other budgets. The remaining contingency amount related to items that will be incurred in future years or items that were budgeted as contingencies that were not needed.

The Other Financing Uses budget was increased 192%. This increase was due to the transfer of 1/3 of our taxes being transferred to the Revenue Sharing Reserve Fund.

Description of Significant Capital Asset and Long-Term Debt Activity

As of the of the 2005 fiscal year, the County had invested over \$27 million in a broad range of capital assets, including police equipment, buildings, park facilities, and computer equipment. (See Table A-4)

Table A-4		
Montcalm County's Capital Assets		
		Business
	Governmental	Type
<u>Category</u>	<u>Activities</u>	<u>Activities</u>
Land and Land Improvements	81,157	50,651
Construction in progress	31,133	-
Buildings and Additions	22,548,090	537,344
Equipment and Furniture	2,321,702	602,693
Vehicles	659,852	1,095,094
Total at Historical Cost	25,641,934	2,285,782

The depreciated value of the assets in total as of September 30, 2005 for Governmental Activities and Business-Type Activities was \$14,927,379 and \$995,696, respectively. Capital Asset additions totaled \$579,020 for the Governmental Activities and \$714,751 for the Business-Type Activities. The most significant addition in the Governmental Activities was the addition to the Commission on Aging building and vehicles for the Sheriff's department and the jail and new imaging software for the County.

The most significant addition in the Business-Type Activities was the addition of a new ambulance facility in Stanton. The construction of the building was finished at fiscal year-end. The refurbishment of a two (2) ambulance was also a significant purchase for the Business-Type Activities.

As of September 30, 2005, the County, excluding its component units, had \$13,611,656 in long-term debt outstanding. The most significant single debt issue of the total is the Building Authority Bond issued in September 2000 for the construction of the court and public safety complex. Of the total of \$15.0 million in debt issued, \$12.945 million remains outstanding. Debt related to compensated absences (vacation and sick leave) totaled another \$260,403.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County as of December 2005 was 10.1%. The rate has increased from 9.2% as of January 2005. The State of Michigan's unemployment rate was 6.4% for December 2005.

The County considered these factors in preparing the budget for 2006. The following factors will also affect the County's financial position and operations into the future:

- The General Fund budget for 2006, as currently amended, has a structural deficit and the increase in fund balance experienced in 2005 will be used to balance the 2006 budget.
- The State of Michigan's budget problems continue to affect the County's finances. The creation of the revenue sharing reserve fund will provide the County with secure funding for the next five fiscal years. Cash flow problems associated with the revenue stream will need to be dealt with in future fiscal years. An increase in fund balance will be needed or short-term cash flow financing may be required.
- The Electrolux Corporation has ceased operating in Greenville in 2006. Electrolux is the County's largest employer with over 2,700 employees.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the County Controller, 211 W. Main St., PO Box 368, Stanton, MI 48888.

BASIC FINANCIAL STATEMENTS

Montcalm County, Michigan

STATEMENT OF NET ASSETS

September 30, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,429,618	\$ 2,408,552	\$ 6,838,170	\$ 2,724,014
Investments	943,189	1,620,410	2,563,599	-
Receivables	1,245,657	497,965	1,743,622	1,960,241
Delinquent tax receivable	-	2,151,055	2,151,055	-
Interest receivable	-	13,838	13,838	-
Internal balances	(600,971)	600,971	-0-	-
Due from other governmental units	962,562	284,375	1,246,937	1,532,200
Inventories	-	-	-0-	531,974
Prepaid expenses	150,124	812	150,936	72,687
Total current assets	7,130,179	7,577,978	14,708,157	6,821,116
Noncurrent assets				
Cash - restricted	-	-	-0-	241,357
Noncurrent investments	-	1,626,253	1,626,253	-
Advance to other funds	164,318	-	164,318	-
Advance to other governmental units	187,016	104,198	291,214	-
Capital assets not being depreciated	112,290	33,160	145,450	4,799,713
Capital assets, net of accumulated depreciation	14,815,089	962,536	15,777,625	32,946,913
Total noncurrent assets	15,278,713	2,726,147	18,004,860	37,987,983
TOTAL ASSETS	22,408,892	10,304,125	32,713,017	44,809,099
LIABILITIES				
Current liabilities				
Accounts payable	635,305	33,694	668,999	403,427
Accrued liabilities	266,247	63,316	329,563	251,021
Due to others	8,270	-	8,270	-
Due to other governmental units	110,000	945	110,945	126,519
Accrued interest payable	283,352	-	283,352	56,924
Deferred revenue	403	4,861	5,264	154,432
Current portion of compensated absences	158,111	-	158,111	70,745
Current portion of long-term debt	544,843	4,325	549,168	500,991
Total current liabilities	2,006,531	107,141	2,113,672	1,564,059
Noncurrent liabilities				
Advances from other funds	-	164,318	164,318	-
Advances from other governmental units				
State	-	-	-0-	205,900
Local	-	-	-0-	291,214
Noncurrent portion of compensated absences	102,292	-	102,292	354,050
Noncurrent portion of long-term debt	12,800,283	1,802	12,802,085	4,468,670
Total noncurrent liabilities	12,902,575	166,120	13,068,695	5,319,834
TOTAL LIABILITIES	14,909,106	273,261	15,182,367	6,883,893
NET ASSETS				
Invested in capital assets, net of related debt	1,582,253	989,569	2,571,822	32,776,965
Restricted for:				
Public safety	88,561	46,522	135,083	-
Solid waste planning	377,897	-	377,897	-
Debt service	-	-	-0-	154,750
Other purposes	475,175	-	475,175	1,271,762
Unrestricted	4,975,900	8,994,773	13,970,673	3,721,729
TOTAL NET ASSETS	\$ 7,499,786	\$ 10,030,864	\$ 17,530,650	\$ 37,925,206

See accompanying notes to financial statements.

Montcalm County, Michigan
STATEMENT OF ACTIVITIES
Year Ended September 30, 2005

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Program Revenues		Primary Government		Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government						
Governmental activities						
General government	\$ 7,831,173	\$ 3,710,020	\$ 1,140,995	\$ 5,114	\$ (2,975,044)	\$ -
Public safety	6,975,069	1,924,710	1,225,830	293,177	(3,531,352)	-
Public works	615,003	253,021	-	-	(361,982)	-
Health and welfare	2,466,143	112,811	885,038	-	(1,468,294)	-
Community and economic development	275,626	53,327	168,280	-	(54,019)	-
Recreation and cultural	677,608	9,370	-	-	(668,238)	-
Other	133,145	-	-	-	(133,145)	-
Interest on long-term debt	698,198	-	-	-	(698,198)	-
Total governmental activities	19,671,965	6,063,259	3,420,143	298,291	(9,890,272)	-0-
Business-type activities						
Delinquent tax	99,773	807,341	-	-	707,568	-
Jail Commissary	93,629	98,099	-	-	4,470	-
Building Official	450,198	446,307	-	-	(3,891)	-
Ambulance	2,570,523	1,898,704	29,459	-	(642,360)	-
Total business-type activities	3,214,123	3,250,451	29,459	-0-	65,787	-0-
Total primary government	\$ 22,886,088	\$ 9,313,710	\$ 3,449,602	\$ 298,291	(9,890,272)	-0-
Component units						
Drainage Districts	\$ 1,026,400	\$ 161,347	\$ -	\$ 1,777,410	-	912,357
District Health Department	5,764,261	1,484,683	2,992,275	-	-	(1,287,303)
Road Commission	9,229,862	961,619	6,413,159	2,797,833	-	942,749
Total component units	\$ 16,020,523	\$ 2,607,649	\$ 9,405,434	\$ 4,575,243	-0-	567,803
General revenues:						
Taxes						
Interest					8,825,582	534
Appropriations from other counties					169,959	94,763
Cigarette tax					-	1,168,655
Gain on equipment disposal					-	68,323
Other					622,905	18,663
Transfers					620,984	7,148
Total general revenues and transfers					10,239,430	1,358,086
Change in net assets						
Net assets, beginning of the year					349,158	1,925,889
Prior period adjustments					8,169,003	28,834,196
Net assets, end of the year					(1,018,375)	7,165,121
					\$ 7,499,786	\$ 17,530,650
					\$ 10,030,864	\$ 37,925,206

See accompanying notes to financial statements.

Montcalm County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2005

	General	Capital Projects General Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,168,563	\$ 473,449	\$ 640,217	\$ 4,282,229
Investments	213,908	485,061	244,220	943,189
Accounts receivable	53,605	-	294,451	348,056
Taxes receivable	550,356	-	-	550,356
Due from other funds	-	-	901,465	901,465
Due from other governmental units				
Federal/State	144,084	-	737,286	881,370
Local	-	-	81,192	81,192
Due from other individuals	4,395	-	-	4,395
Prepays	134,801	-	15,323	150,124
Land contracts receivable	171,425	-	171,425	342,850
Advances to other funds	-	164,318	-	164,318
Advances to other governmental units	187,016	-	-	187,016
TOTAL ASSETS	\$ 4,628,153	\$ 1,122,828	\$ 3,085,579	\$ 8,836,560
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 266,547	\$ -	\$ 368,090	\$ 634,637
Accrued wages	209,845	-	50,252	260,097
Accrued liabilities	-	-	6,150	6,150
Due to other funds	1,489,453	-	12,983	1,502,436
Due to others	-	-	8,270	8,270
Due to other governmental units				
Federal/State	-	-	110,000	110,000
Deferred revenue	171,425	-	171,828	343,253
TOTAL LIABILITIES	2,137,270	-0-	727,573	2,864,843
FUND BALANCES				
Reserved for				
Prepays	134,801	-	15,323	150,124
Marriage counseling	-	-	91,786	91,786
Grant expenditures	-	-	78,374	78,374
Wireless surcharge	-	-	141,049	141,049
Advances	187,016	164,318	-	351,334
General fund activities	399,562	-	-	399,562
Trust activities	-	-	129,708	129,708
K-9 program	-	-	420	420
Unreserved				
Designated for capital expenditures	-	-	104,483	104,483
Undesignated, reported in:				
General fund	1,769,504	-	-	1,769,504
Special revenue funds	-	-	1,647,037	1,647,037
Capital projects funds	-	958,510	149,826	1,108,336
TOTAL FUND BALANCES	2,490,883	1,122,828	2,358,006	5,971,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,628,153	\$ 1,122,828	\$ 3,085,579	\$ 8,836,560

See accompanying notes to financial statements.

Montcalm County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2005

Total fund balance - governmental funds **\$ 5,971,717**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 25,641,934	
Accumulated depreciation is	<u>(10,714,555)</u>	14,927,379

Internal Service Funds are used by management to charge the costs of certain activities, such as the and office equipment pool, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Office Equipment Pool	23,875	
Post-Retirement Health	<u>122,846</u>	146,721

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		342,850
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	(13,345,126)	
Accrued interest payable	(283,352)	
Compensated absences	<u>(260,403)</u>	<u>(13,888,881)</u>

Net assets of governmental activities **\$ 7,499,786**

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2005

	General	Capital Projects General Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,917,327	\$ -	\$ 908,255	\$ 8,825,582
Licenses and permits	189,037	-	7,935	196,972
Intergovernmental	1,240,852	-	2,423,115	3,663,967
Charges for services	3,032,648	-	1,559,175	4,591,823
Fines and forfeits	128,934	-	6,500	135,434
Interest and rents	261,520	14,611	1,166,426	1,442,557
Other	319,222	-	264,232	583,454
TOTAL REVENUES	13,089,540	14,611	6,335,638	19,439,789
EXPENDITURES				
Current				
General government	6,226,444	-	1,020,608	7,247,052
Public safety	4,346,795	-	2,134,825	6,481,620
Public works	109,516	-	505,487	615,003
Health and welfare	835,555	-	1,613,583	2,449,138
Community and economic development	50,222	-	225,404	275,626
Recreation and cultural	-	-	668,754	668,754
Other	133,145	-	-	133,145
Debt service	31,217	-	1,211,645	1,242,862
Capital outlay	-	-	412,929	412,929
TOTAL EXPENDITURES	11,732,894	-0-	7,793,235	19,526,129
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,356,646	14,611	(1,457,597)	(86,340)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	2,846	-	-	2,846
Transfers in	1,827,304	-	3,418,477	5,245,781
Transfers out	(2,802,329)	(118,460)	(1,744,008)	(4,664,797)
TOTAL OTHER FINANCING SOURCES (USES)	(972,179)	(118,460)	1,674,469	583,830
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	384,467	(103,849)	216,872	497,490
Fund balances, beginning of year	2,106,416	1,226,677	2,141,134	5,474,227
Fund balances, end of year	<u>\$ 2,490,883</u>	<u>\$ 1,122,828</u>	<u>\$ 2,358,006</u>	<u>\$ 5,971,717</u>

See accompanying notes to financial statements.

Montcalm County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Net change in fund balances - total governmental funds **\$ 497,490**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 346,282	
Depreciation expense	<u>(994,772)</u>	
Excess of depreciation expense over capital outlay		(648,490)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expenses from governmental activities accounted for in the Internal Service funds are:

Office Equipment Pool	11,708	
Post-Retirement Health	<u>18,218</u>	29,926

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue		(39,650)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan proceeds	(2,846)	
Bond and loan principal and capital lease retirement	<u>536,121</u>	533,275

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	8,543	
(Increase) in accrued compensated absences	<u>(31,936)</u>	<u>(23,393)</u>

Change in net assets of governmental activities **\$ 349,158**

See accompanying notes to financial statements.

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

September 30, 2005

	Business-type		
	Delinquent Tax Revolving	Ambulance	Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,267,122	\$ 69,293	\$ 72,137
Investments	1,620,410	-	-
Accounts receivable, net	-	497,965	-
Delinquent taxes receivable	2,151,055	-	-
Interest receivable	13,838	-	-
Due from other governmental units - local	284,375	-	-
Due from other funds	602,462	-	-
Prepays	-	812	-
Total current assets	6,939,262	568,070	72,137
Noncurrent assets			
Investments	1,626,253	-	-
Advances to other governmental units	104,198	-	-
Capital assets not being depreciated	-	33,160	-
Capital assets, net of accumulated depreciation	-	932,243	30,293
Total noncurrent assets	1,730,451	965,403	30,293
TOTAL ASSETS	8,669,713	1,533,473	102,430
LIABILITIES			
Current liabilities			
Accounts payable	47	27,214	6,433
Accrued wages	-	49,933	13,383
Due to other governmental units	945	-	-
Due to other funds	1,491	-	-
Deferred revenue	-	4,861	-
Current portion of lease payable	-	4,325	-
Total current liabilities	2,483	86,333	19,816
Noncurrent liabilities			
Advances from other funds	-	164,318	-
Lease payable	-	1,802	-
Total noncurrent liabilities	-0-	166,120	-0-
TOTAL LIABILITIES	2,483	252,453	19,816
NET ASSETS			
Invested in capital assets, net of related debt	-	959,276	30,293
Restricted for public safety	-	-	46,522
Unrestricted	8,667,230	321,744	5,799
TOTAL NET ASSETS	\$ 8,667,230	\$ 1,281,020	\$ 82,614

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Funds
\$ 2,408,552	\$ 147,389
1,620,410	-
497,965	-
2,151,055	-
13,838	-
284,375	-
602,462	-
812	-
7,579,469	147,389
1,626,253	-
104,198	-
33,160	-
962,536	11,750
2,726,147	11,750
10,305,616	159,139
33,694	668
63,316	-
945	-
1,491	-
4,861	-
4,325	-
108,632	668
164,318	-
1,802	-
166,120	-0-
274,752	668
989,569	11,750
46,522	-
8,994,773	146,721
\$ 10,030,864	\$ 158,471

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2005

	Business-type		
	Delinquent Tax Revolving	Ambulance	Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 445,964	\$ 1,898,704	\$ 446,307
Sales	-	-	98,099
Intergovernmental			
Federal/State	-	29,459	-
Penalties and interest on delinquent taxes	361,377	-	-
Other revenue	9,924	17,471	-
TOTAL OPERATING REVENUES	817,265	1,945,634	544,406
OPERATING EXPENSES			
Personnel services	-	1,340,799	298,784
Fringe benefits	-	408,454	82,353
Operating supplies	17,724	92,438	97,349
Contractual services	56,308	112,572	34,113
Repairs and maintenance	-	79,538	407
Insurance	-	19,969	3,979
Rent expense	-	60,350	-
Vehicle expense	-	103,780	1,999
Depreciation	-	226,085	10,159
Communications	-	18,999	7,105
Utilities	-	9,912	-
Training	-	14,100	-
Indirect operating	-	81,243	-
Other	25,741	2,284	7,579
TOTAL OPERATING EXPENSES	99,773	2,570,523	543,827
OPERATING INCOME (LOSS)	717,492	(624,889)	579
NONOPERATING REVENUES (EXPENSES)			
Tax revenue	-	639,632	-
Interest revenue	135,751	3,408	735
Loss on sale of capital assets	-	(13,429)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	135,751	629,611	735
INCOME (LOSS) BEFORE TRANSFERS	853,243	4,722	1,314
TRANSFERS IN (OUT)			
Transfers in	-	-	-
Transfers out	(617,183)	(2,901)	(900)
TOTAL TRANSFERS IN (OUT)	(617,183)	(2,901)	(900)
CHANGE IN NET ASSETS	236,060	1,821	414
Net assets, beginning of year	8,431,170	1,279,199	82,200
Net assets, end of year	\$ 8,667,230	\$ 1,281,020	\$ 82,614

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Funds
\$ 2,790,975	\$ -
98,099	-
29,459	-
361,377	-
27,395	22,573
3,307,305	22,573
1,639,583	-
490,807	-
207,511	3,001
202,993	5,291
79,945	-
23,948	-
60,350	-
105,779	-
236,244	6,073
26,104	-
9,912	-
14,100	-
81,243	-
35,604	26,114
3,214,123	40,479
93,182	(17,906)
639,632	-
139,894	1,759
(13,429)	-
766,097	1,759
859,279	(16,147)
-0-	40,000
(620,984)	-
(620,984)	40,000
238,295	23,853
9,792,569	134,618
\$ 10,030,864	\$ 158,471

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2005

	Business-type		
	Delinquent Tax Revolving	Ambulance Fund	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 920,308	\$ 1,783,922	\$ 544,406
Cash receipts from federal operating grants	-	29,459	-
Cash receipts from state	-	14,696	-
Cash receipts from other governmental units	129,233	-	-
Cash receipts from other funds	-	140	-
Cash paid to suppliers	(101,802)	(655,343)	(151,798)
Cash paid for employee fringe benefits	-	(408,454)	(80,224)
Cash paid to employees	-	(1,340,799)	(298,784)
Cash paid to other funds	(683,925)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	263,814	(576,379)	13,600
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	-
Transfers to other funds	(617,183)	(2,901)	(900)
Tax revenue	-	639,632	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(617,183)	636,731	(900)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	-	(272,240)	(10,753)
Sale of assets	-	26,408	-
Transfers from other funds	-	-	-
Advances from other funds	-	122,375	-
Payments on borrowings	-	(4,325)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(127,782)	(10,753)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(3,246,663)	-	-
Maturity of investments	2,706,439	-	-
Interest revenue	135,751	3,408	735
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(404,473)	3,408	735

Activities	Governmental Activities
Total	Internal Service Funds
\$ 3,248,636	\$ 22,573
29,459	-
14,696	-
129,233	-
140	-
(908,943)	(8,559)
(488,678)	(26,114)
(1,639,583)	-
(683,925)	-
(298,965)	(12,100)
-0-	20,000
(620,984)	-
639,632	-
18,648	20,000
(282,993)	-
26,408	-
-0-	20,000
122,375	-
(4,325)	-
(138,535)	20,000
(3,246,663)	-
2,706,439	-
139,894	1,759
(400,330)	1,759

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2005

	Business-type		
	Delinquent Tax Revolving	Ambulance Fund	Nonmajor Enterprise Funds
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (757,842)	\$ (64,022)	\$ 2,682
Cash and cash equivalents, beginning of year	3,024,964	133,315	69,455
Cash and cash equivalents, end of year	<u>\$ 2,267,122</u>	<u>\$ 69,293</u>	<u>\$ 72,137</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 717,492	\$ (624,889)	\$ 579
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	226,085	10,159
(Increase) decrease in receivables	103,043	(132,486)	-
(Increase) in prepayments	-	(812)	-
(Increase) decrease in due from other funds	(602,373)	140	-
Decrease in due from other government units	128,288	14,696	-
Increase (decrease) in accounts payable	47	(59,967)	733
(Decrease) in due to other funds	(81,552)	-	-
Increase in due to other governmental units	945	-	-
Increase (decrease) in accrued liabilities	(2,076)	621	2,129
Increase in deferred revenue	-	233	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 263,814</u>	<u>\$ (576,379)</u>	<u>\$ 13,600</u>

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Funds
\$ (819,182)	\$ 29,659
3,227,734	117,730
<u>\$ 2,408,552</u>	<u>\$ 147,389</u>
\$ 93,182	\$ (17,906)
236,244	6,073
(29,443)	-
(812)	-
(602,233)	-
142,984	-
(59,187)	(267)
(81,552)	-
945	-
674	-
233	-
<u>\$ (298,965)</u>	<u>\$ (12,100)</u>

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2005

	Agency Funds	Pension Fund
ASSETS		
Cash and cash equivalents	\$ 4,231,000	\$ 274,501
Investments		
U.S. Treasury Notes	-	2,552,408
U.S. Government obligations	-	3,751,308
Corporate bonds and notes	-	3,908,125
Common stocks	-	4,118,830
Foreign stocks	-	210,599
TOTAL ASSETS	<u>\$ 4,231,000</u>	<u>14,815,771</u>
LIABILITIES		
Accounts payable	\$ -	3,226
Due to other governmental units		
Federal/State	3,564,811	-
Local	535,523	-
Due to individuals and agencies	<u>130,666</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 4,231,000</u>	<u>3,226</u>
NET ASSETS		
Held in trust for pension benefits		<u>\$ 14,812,545</u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended September 30, 2005

	Pension Fund
ADDITIONS	
Investment income	
Interest and dividends	\$ 433,147
Net increase in fair value of investments	706,563
Less investment expenses	<u>(61,734)</u>
Net investment income	1,077,976
Contributions	
Employer	381,042
Employee	<u>259,940</u>
Total additions	1,718,958
DEDUCTIONS	
Benefit payments	621,708
Administrative expenses	<u>18,457</u>
Total deductions	<u>640,165</u>
CHANGE IN NET ASSETS	1,078,793
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>13,733,752</u>
End of year	<u><u>\$ 14,812,545</u></u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Unit

COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Drainage Districts	District Health	Road Commission	Total Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,302,514	\$ 1,279,181	\$ 142,319	\$ 2,724,014
Accounts receivable	9,281	112,516	581	122,378
Special assessment receivable	1,837,863	-	-	1,837,863
Due from other governmental units	-	117,449	1,414,751	1,532,200
Inventories	-	103,133	428,841	531,974
Prepaid expenses	-	72,687	-	72,687
Total current assets	3,149,658	1,684,966	1,986,492	6,821,116
Noncurrent assets				
Cash - restricted	225,020	-	16,337	241,357
Capital assets not being depreciated	75,650	-	4,724,063	4,799,713
Capital assets, net of accumulated depreciation	5,316,333	212,303	27,418,277	32,946,913
Total noncurrent assets	5,617,003	212,303	32,158,677	37,987,983
TOTAL ASSETS	8,766,661	1,897,269	34,145,169	44,809,099
LIABILITIES				
Current liabilities				
Accounts payable	46,597	62,790	294,040	403,427
Accrued liabilities	1,408	216,076	33,537	251,021
Due to other governmental units	-	-	126,519	126,519
Accrued interest payable	56,924	-	-	56,924
Deferred revenue	-	154,432	-	154,432
Current portion of compensated absences	-	70,745	-	70,745
Current portion of long-term debt	282,186	-	218,805	500,991
Total current liabilities	387,115	504,043	672,901	1,564,059
Noncurrent liabilities				
Advances from other governmental units	291,214	-	-	291,214
Advance from State	-	-	205,900	205,900
Noncurrent portion of compensated absences	-	282,979	71,071	354,050
Noncurrent portion of long-term debt	2,830,842	-	1,637,828	4,468,670
Total noncurrent liabilities	3,122,056	282,979	1,914,799	5,319,834
TOTAL LIABILITIES	3,509,171	787,022	2,587,700	6,883,893
NET ASSETS				
Invested in capital assets, net of related debt	2,278,955	212,303	30,285,707	32,776,965
Restricted for debt service	154,750	-	-	154,750
Restricted for County Roads	-	-	1,271,762	1,271,762
Unrestricted	2,823,785	897,944	-	3,721,729
TOTAL NET ASSETS	\$ 5,257,490	\$ 1,110,247	\$ 31,557,469	\$ 37,925,206

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Drainage Districts	\$ 791,746	\$ 45,317	\$ -	\$ 1,777,410	\$ 1,030,981	\$ -	\$ 1,030,981
District Health	5,764,261	1,484,683	2,992,275	-	(1,287,303)	-	(1,287,303)
Road Commission	9,229,862	961,619	6,413,159	2,797,833	942,749	-	942,749
Total governmental activities	15,785,869	2,491,619	9,405,434	4,575,243	686,427	-0-	686,427
Business-type activities							
Drainage Districts	234,654	116,030	-	-	-	(118,624)	(118,624)
Total component units	\$ 16,020,523	\$ 2,607,649	\$ 9,405,434	\$ 4,575,243	686,427	(118,624)	567,803
General revenues							
Taxes					534	-	534
Investment earnings					25,380	69,383	94,763
County appropriations					1,168,655	-	1,168,655
Cigarette tax					68,323	-	68,323
Gain on equipment disposal					18,663	-	18,663
Other					7,148	-	7,148
Total general revenues					1,288,703	69,383	1,358,086
Change in net assets					1,975,130	(49,241)	1,925,889
Net assets, beginning of year					26,368,739	2,465,457	28,834,196
Prior period adjustments					7,165,121	-	7,165,121
Net assets, end of year					\$ 35,508,990	\$ 2,416,216	\$ 37,925,206

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Montcalm, Michigan, was incorporated in 1850, and covers an area of approximately 710 square miles with the County seat located in the City of Stanton. The County operates under an elected Board of Commissioners and provides services to its more than 61,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Montcalm County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

In accordance with the above criteria, the activities of the following Boards, Commissions, and Authorities have been blended in with the County's primary government financial statements:

The Montcalm County Commission on Aging
The Montcalm County Department of Human Services
The Montcalm County Building Authority
The Montcalm County Library Board
The Montcalm County Central Dispatch Authority

Separate reports are not prepared for these Boards, Commissions, and Authorities.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Montcalm County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Montcalm County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Drainage Districts in the County come under the jurisdiction of the Montcalm County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Road Commission for Montcalm County is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are elected by the people of Montcalm County. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office located at 619 West Main Street, Stanton, Michigan 48888.

4. Joint Venture

The County participates in the following activity which is considered to be a joint venture in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Mid-Michigan District Health Department - The County is a member of the Mid-Michigan District Health Department, which is a joint venture between Montcalm, Clinton, and Gratiot counties. Each unit appoints two (2) of the six (6) members to the governing Board. The Department has responsibility for preparing the annual budget (which is approved by each County) and to carry out all activities of the Department.

Montcalm County is responsible to fund 37% of the required local contribution to cover operational costs. For the year ended September 30, 2005, the County contributed \$462,250 to cover its share of operational costs. In addition, the treasury function for the Mid-Michigan District Health Department rests with the Montcalm County Treasurer. For this reason the District Health Department is a discretely presented component unit in the Montcalm County Financial Statements as required by accounting principles generally accepted in the United States of America.

The financial activities of the Mid-Michigan District Health Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2005, are available at the Department's administrative offices. As of September 30, 2005, the Department had net assets of \$1,110,247.

5. Related Organizations

The County participates in the following activity which is considered to be a related organization in relation to the County due to the County appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility, but the County does sign the grant agreements and would be liable for questioned costs in excess of Commission resources.

Montcalm Center for Behavioral Health - Mental Health Authority - The County appoints all of the twelve (12) Board members. The County does not have an ongoing day-to-day financial interest or responsibility for the Board.

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Authority is legally separate and fiscally independent, for the Authority's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Board for their year ended September 30, 2004. A copy of the financial statements is available at the Board's administrative offices. As of September 30, 2004, the Board had total assets of \$2,838,901; total liabilities of \$1,006,305; and total net assets of \$1,832,596. For year ended September 30, 2004, the Board had total revenues of \$6,671,271; total expenditures of \$6,565,253; and a net increase in net assets of \$106,018.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Related Organizations - continued

Montcalm County Housing Commission - The County appoints all of the five (5) Commission members. The County does not have an ongoing day-to-day financial interest or responsibility for the Commission and does not approve or sign the Commission's annual grant agreement with the U.S. Department of Housing and Urban Development (HUD). The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2004. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2004, the Commission had total assets of \$1,244,678; total liabilities of \$83,036, and total net assets of \$1,161,642. For the year ended December 31, 2004, the Commission had total operating revenues of \$1,273,010; total operating expenses of \$1,410,320; and a net decrease in net assets of \$137,331.

6. Jointly Governed Organizations

The County participates in the following activities which are considered to be jointly governed organizations in relation to the County due to there being no ongoing financial interest or responsibility.

West Michigan Regional Planning Commission - Montcalm County, in conjunction with 10 other Counties, has entered into an agreement which created the West Michigan Regional Planning Commission. This organization's Board is composed of 20 members, of which two (2) are appointed by Montcalm County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended September 30, 2005 the County's contribution to the Commission was \$2,929.

Central Area Michigan Works Consortium - Montcalm County, in conjunction with three (3) other Counties, has entered into an agreement which created the Central Area Michigan Works Consortium. This organization's Board is composed of eight (8) members, of which two (2) are appointed by Montcalm County. The organization receives all of its funding from State and Federal grants and, as a result, the County has no financial responsibility other than potential liability related to appropriate use of the funds.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The General Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).
- c. The Ambulance Fund is used to report ambulance services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.
- d. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent taxes. Revenues are generated by the collection of the delinquent taxes, penalties, and interest.

8. Measurement Focus

The government-wide, proprietary, and pension trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary agency funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Basis of Accounting - continued

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit with an original maturity of 90 days or less, and mutual funds.

11. Restricted Cash

A portion of the cash of the Drainage Districts (Component Unit) is classified as restricted cash because their use is limited. The Drainage District's cash restriction is to provide for the payment of accrued debt service obligations as required by bond resolution for the Little Whitefish Lake Sewer Construction project.

12. Investments

Investments are reported at market value. Investments consist of Pension Fund securities and commercial paper with an original maturity of over 90 days.

13. Receivables

Receivables consist of amount due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

14. Prepayments

Prepayments consist of certain insurance premiums and other expenditures representing costs applicable to future periods. These prepayments recorded in the governmental fund types do not reflect current expendable resources and, therefore, an equal portion of fund balance is reserved.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Inventories

Inventory of the Road Commission (component unit) consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are priced at cost as determined on the average cost valuation method.

Inventory of the District Health Department (component unit) consists of vaccines received from the State of Michigan. Inventories are stated at cost on a first in/first out basis.

16. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNIT - DRAINAGE DISTRICTS

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 50 years
Equipment and furniture	4 - 20 years
Vehicles	4 - 10 years
Drain infrastructure	10 - 50 years

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 20 years
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The Department has no assets that would be classified as infrastructure assets.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Capital Assets - continued

COMPONENT UNIT - ROAD COMMISSION

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years

17. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

18. Treatment Rights

Little Whitefish Lake (Component Unit) Fund has contracted with Big Whitefish Lake (Component Unit) Fund for the right to distribute wastewater through the sewer system to the Big Whitefish Lake treatment plant and for the treatment of its wastewater.

These rights are being amortized over the period of the related contract.

19. Advances to Other Funds/Governmental Units

Long-term advances from some funds to other funds/component units are made to finance new activities during their initial operations, to finance the purchase of real property taxes receivable from the municipalities within the County, and to finance capital acquisitions. The applicable fund balance is reserved for such advances to reflect the amount of fund balance not currently available for expenditure within the governmental funds.

20. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of September 30, 2005, including related payroll taxes, is recorded in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Accrued Compensated Absences - continued

Vested vacation and sick leave earned as of September 30, 2005, for the District Health Department and Road Commission (component units) is recorded in the respective component unit's government-wide financial statements.

21. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal Service Funds are used to record charges for services to all County departments and funds as charges for services. All County funds record these payments to the Internal Service Funds as operating expenditures/expenses.

22. Budgets and Budgetary Accounting

Budgets are adopted for the General and Special Revenue Funds and are prepared on a basis consistent with the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the County departments, in conjunction with the Controller's office, prepare and submit their proposed operating budgets to the Finance Committee for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to September 30, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue fund. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Board must preapprove transfers of budget amounts between accounts.
- e. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were adopted.

23. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

24. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the basic financial statements.

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately forty-six (46) funds. Cash overdrafts of individual funds as of September 30, 2005, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Special Revenue Funds			
Law Enforcement	\$(710)	\$ 926	\$ 216
County Libraries	(12,075)	-	(12,075)
CMET	(37,863)	-	(37,863)
Homeland Security	(198,449)	-	(198,449)
Community Information Systems	(3,356)	22,521	19,165
Register of Deeds Automation	(16,098)	103,405	87,307
CDBG - Housing	(848)	7,003	6,155
Revenue Sharing Reserve	(234,060)	-	(234,060)
Juvenile Child Care	(210,318)	-	(210,318)
Central Dispatch Authority	(81,258)	320,782	239,524
Capital Projects Funds			
General Projects	(177,159)	650,608	473,449
TOTAL PRIMARY GOVERNMENT	(972,194)	1,105,245	133,051
COMPONENT UNITS			
Drainage Districts			
Regular Drain	(41,571)	253,245	211,674
TOTAL REPORTING ENTITY	\$(1,013,765)	\$ 1,358,490	\$ 344,725

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately 46 funds. The County's pooled cash and investments consist of a common checking account, savings, treasury notes, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the financial statements.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of September 30, 2005, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 4,582,170	\$ 5,197,509
Savings	<u>756,287</u>	<u>756,287</u>
Total primary government	5,338,457	5,953,796
FIDUCIARY FUNDS		
Checking	4,382,780	4,144,414
COMPONENT UNITS		
Checking	2,331,240	2,554,331
Certificates of deposit	<u>3,789</u>	<u>3,789</u>
Total component units	<u>2,335,029</u>	<u>2,558,120</u>
TOTAL REPORTING ENTITY	<u>\$ 12,056,266</u>	<u>\$ 12,656,330</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2005, the primary government and component units accounts were insured by the FDIC for \$604,796 and the amount of \$12,051,534 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the current period, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at September 30, 2005.

As of September 30, 2005, the market values, which are the carrying values for each investment, are as follows:

Investments

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Federal Home Loan Bank	\$ 1,958,381	\$ 1,958,381	Aaa	4.25 years
Federal National Mortgage Association	1,696,489	1,696,489	Aaa	2.5 years
Fannie Mae	496,943	496,943	Aaa	2 years
Government & Agency - cash management	534,769	534,769	Aaa	28 days
Uncategorized pooled investment funds	<u>994,698</u>	<u>994,698</u>	N/A	40 days
Total primary government	5,681,280	5,681,280		
FIDUCIARY FUNDS				
U.S. Government Securities	2,552,407	2,552,407	AA-	3.5 years
Corporate Bonds and Notes	3,908,125	3,908,125	AA-	3.5 years
Common Stock	4,118,830	4,118,830	AA-	3.5 years
Foreign Stock	210,599	210,599	AA-	3.5 years
Uncategorized pooled investment funds	686,477	686,477	AA-	3.5 years
Uncategorized pooled investment funds	<u>3,157,167</u>	<u>3,157,167</u>	N/A	N/A
Total fiduciary funds	14,633,605	14,633,605		
COMPONENT UNITS				
Uncategorized pooled investment funds	<u>622,994</u>	<u>622,994</u>	N/A	40 days
TOTAL REPORTING ENTITY	<u>\$20,937,879</u>	<u>\$20,937,879</u>		

The pension investments in U.S. Treasury Notes and other Governmental Securities, corporate bonds and notes, common stock, and guaranteed annuity contracts are insured or registered for which the applicable securities are held by the Macatawa Bank, and Raymond James Financial Services, Inc.

The County has investments purchased for the County employee's Pension Trust Fund through three (3) banks. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of September 30, 2005, the market value, which is the carrying amount of the pension trust plan assets were \$14,815,771.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2005, rating information on the County's investments is presented above.

Interest rate risk

The County has not adopted a policy that indicates how the County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The County has not adopted a policy that indicates how the County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer.

Custodial credit risk

The County has not adopted a policy that indicates how the County will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 6,838,170	\$ 2,724,014	\$ 4,505,501	\$14,067,685
Cash - restricted	-	241,357	-	241,357
Investments	<u>4,189,852</u>	<u>-</u>	<u>14,541,270</u>	<u>18,731,122</u>
	<u>\$11,028,022</u>	<u>\$ 2,965,371</u>	<u>\$19,046,771</u>	<u>\$33,040,164</u>

The primary government cash and cash equivalents captions on the financial statements include \$8,285 in imprest cash. The fiduciary funds cash and cash equivalents captions on the financial statements include \$30,386 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$7,348 in imprest cash.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
General Projects Fund	\$ 118,460
Delinquent Tax Revolving Fund	617,183
Nonmajor governmental funds	1,090,761
Nonmajor business-type funds	<u>900</u>
	<u>\$ 1,827,304</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,767,129
Nonmajor governmental funds	648,447
Ambulance Fund	<u>2,901</u>
	<u>\$ 3,418,477</u>
Transfer to Internal Service Funds from:	
General Fund	\$ 35,200
Nonmajor governmental funds	<u>4,800</u>
	<u>\$ 40,000</u>

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at September 30, 2005:

Due to Delinquent Tax Revolving Fund from:	
General Fund	\$ 600,087
Nonmajor governmental funds	<u>2,375</u>
	<u>\$ 602,462</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 889,366
Delinquent Tax Revolving Fund	1,491
Nonmajor governmental funds	<u>10,608</u>
	<u>\$ 901,465</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

The following schedule details interfund receivables and payables between the component units at September 30, 2005:

Due to Component Unit Funds from:	
Component Unit Funds	<u>\$ 1,518</u>

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2005:

Advance from General Projects Fund to:	
Ambulance Fund	<u>\$ 164,318</u>

The advances were made to finance capital acquisitions.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

Primary Government

	Restated Balance <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2005</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 81,157	\$ -	\$ -	\$ 81,157
Construction in progress	<u>172,651</u>	<u>91,220</u>	<u>232,738</u>	<u>31,133</u>
Subtotal	253,808	91,220	232,738	112,290
Capital assets being depreciated				
Buildings and additions	22,309,687	238,403	-	22,548,090
Equipment and furniture	2,163,915	159,397	1,610	2,321,702
Vehicles	<u>569,852</u>	<u>90,000</u>	<u>-</u>	<u>659,852</u>
Subtotal	25,043,454	487,800	1,610	25,529,644
Less accumulated depreciation for				
Buildings and additions	(7,990,046)	(652,567)	-	(8,642,613)
Equipment and furniture	(1,368,597)	(253,339)	(1,610)	(1,620,326)
Vehicles	<u>(362,750)</u>	<u>(88,866)</u>	<u>(-)</u>	<u>(451,616)</u>
Subtotal	<u>(9,721,393)</u>	<u>(994,772)</u>	<u>(1,610)</u>	<u>(10,714,555)</u>
Net capital assets being depreciated	<u>15,322,061</u>	<u>(506,972)</u>	<u>-0-</u>	<u>14,815,089</u>
Total Net Capital Assets	<u>\$ 15,575,869</u>	<u>\$ (415,752)</u>	<u>\$ 232,738</u>	<u>\$ 14,927,379</u>

Depreciation expense was charged to the following governmental activities:

Governmental activities:	
General government	\$ 475,464
Public safety	493,449
Health and welfare	17,005
Recreation and cultural	<u>8,854</u>
	<u>\$ 994,772</u>

	Balance <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2005</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 33,160	\$ -	\$ -	\$ 33,160
Construction in progress	<u>280,673</u>	<u>151,085</u>	<u>431,758</u>	<u>-0-</u>
Subtotal	313,833	151,085	431,758	33,160

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Business-type activities - continued				
Capital assets being depreciated				
Land improvements	\$ 17,491	\$ -	\$ -	\$ 17,491
Buildings and improvements	148,805	431,758	43,219	537,344
Equipment and furniture	752,537	28,610	178,454	602,693
Vehicles	<u>1,131,670</u>	<u>103,298</u>	<u>139,874</u>	<u>1,095,094</u>
Subtotal	2,050,503	563,666	361,547	2,252,622
Less accumulated depreciation for				
Land improvements	(17,491)	-	-	(17,491)
Buildings and additions	(33,178)	(13,464)	(17,052)	(29,590)
Equipment and furniture	(574,779)	(62,733)	(164,784)	(472,728)
Vehicles	<u>(750,104)</u>	<u>(160,047)</u>	<u>(139,874)</u>	<u>(770,277)</u>
Subtotal	<u>(1,375,552)</u>	<u>(236,244)</u>	<u>(321,710)</u>	<u>(1,290,086)</u>
Net capital assets being depreciated	<u>674,951</u>	<u>327,423</u>	<u>39,838</u>	<u>962,536</u>
Total Net Capital Assets	<u>\$ 988,784</u>	<u>\$ 478,508</u>	<u>\$ 471,596</u>	<u>\$ 995,696</u>

Component Units

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Land	\$ 75,650	\$ -	\$ -	\$ 75,650
Construction in progress	<u>1,463,792</u>	<u>968,072</u>	<u>2,431,864</u>	<u>-0-</u>
Subtotal	1,539,442	968,072	2,431,864	75,650
Capital assets being depreciated				
Drains	3,531,481	2,431,864	-	5,963,345
Less accumulated depreciation for				
Drains	<u>(564,127)</u>	<u>(82,885)</u>	<u>-</u>	<u>(647,012)</u>
Net capital assets being depreciated	<u>2,967,354</u>	<u>(2,348,979)</u>	<u>-0-</u>	<u>5,316,333</u>
Total Net Capital Assets	<u>\$ 4,506,796</u>	<u>\$ 3,317,051</u>	<u>\$ 2,431,864</u>	<u>\$ 5,391,983</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Component Unit - Road Commission				
Capital assets not being depreciated				
Land	\$ 33,708	\$ -	\$ -	\$ 33,078
Infrastructure - land improvements	<u>4,690,355</u>	<u>-</u>	<u>-</u>	<u>4,690,355</u>
Subtotal	4,724,063	-0-	-0-	4,724,063
Capital assets being depreciated				
Buildings	2,152,022	40,232	-	2,192,254
Road equipment	6,163,166	775,652	-	6,732,835
Shop equipment	94,744	17,900	205,983	112,644
Office equipment	132,013	26,650	-	158,663
Engineer's equipment	38,043	-	-	38,043
Yard and storage	359,683	-	-	359,683
Infrastructure - bridges	8,831,077	80,960	-	8,912,037
Infrastructure - roads	44,703,518	3,955,483	-	48,659,001
Depletable assets	<u>6,750</u>	<u>-</u>	<u>-</u>	<u>6,750</u>
Subtotal	62,481,016	4,896,877	205,983	67,171,910
Less accumulated depreciation for				
Building	(481,542)	(44,226)	-	(525,786)
Road equipment	(5,253,356)	(526,374)	(205,983)	(5,573,747)
Shop equipment	(69,023)	(2,988)	-	(72,011)
Office equipment	(93,146)	(17,349)	-	(110,495)
Engineer's equipment	(35,789)	(793)	-	(36,582)
Yard and storage	(359,683)	-	-	(359,683)
Infrastructure - bridges	(2,784,857)	(186,901)	-	(2,971,758)
Infrastructure - roads	(27,672,376)	(2,424,463)	-	(30,096,839)
Depletable assets	<u>(6,750)</u>	<u>-</u>	<u>-</u>	<u>(6,750)</u>
Subtotal	<u>(36,756,522)</u>	<u>(3,203,094)</u>	<u>(205,983)</u>	<u>(39,753,633)</u>
Net capital assets being depreciated	<u>25,724,494</u>	<u>1,693,783</u>	<u>-0-</u>	<u>27,418,277</u>
Total Net Capital Assets	<u>\$ 30,448,557</u>	<u>\$ 1,693,783</u>	<u>\$ -0-</u>	<u>\$ 32,142,340</u>

Beginning net capital assets were restated at October 1, 2004 for reasons listed below:

Beginning net capital assets	\$ 24,981,150
Retroactive recording of bridges	
Addition to bridge capital assets	8,339,607
Less accumulated depreciation	<u>(2,765,220)</u>
	5,574,387

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

Component Unit - Road Commission - continued	
Removal of seal coat roads due to change in Act 51 definition	
Reduction to capital assets	\$(3,154,466)
Reduction to accumulated depreciation	<u>3,046,336</u>
	(108,130)
Buildings	
Decrease in accumulated depreciation	<u>1,150</u>
Total prior period adjustments	<u>5,467,407</u>
Restated net capital assets at October 1, 2004	<u>\$ 30,448,557</u>

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct equipment	\$ 525,867
Indirect equipment	
Buildings	35,661
Shop equipment	2,988
Net Administrative Expense	
Buildings	8,565
Office equipment and furniture	17,350
Other	507
Distributive Expense	
Engineer's equipment	793
Infrastructure	<u>2,611,363</u>
Total depreciation expense	<u>\$ 3,203,094</u>

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Component Unit - District Health Department Equipment	\$ 587,343	\$ 14,918	\$(56,542)	\$ 545,179
Less accumulated depreciation for: Equipment	<u>(327,750)</u>	<u>(58,076)</u>	<u>52,410</u>	<u>(333,416)</u>
Total Net Capital Assets	<u>\$ 259,593</u>	<u>\$(43,158)</u>	<u>\$(4,132)</u>	<u>\$ 212,303</u>

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations	\$13,874,171	\$ 2,846	\$ 531,891	\$13,345,126	\$ 544,843
Capital leases	4,230	-	4,230	-0-	-
Compensated absences	228,467	31,936	-	260,403	158,111
Business-type Activities					
Capital leases	10,452	-	4,325	6,127	4,325
TOTAL PRIMARY GOVERNMENT	14,117,320	34,782	540,446	13,611,656	707,279
COMPONENT UNIT FUNDS					
Drainage Districts					
Governmental Activities					
Drain bonds and notes	1,923,714	162,000	291,186	1,794,528	252,186
Enterprise Funds					
Big Whitefish Lake					
Drain bonds and notes	42,000	-	14,000	28,000	14,000
Little Whitefish Lake					
Drain bonds	1,306,500	-	16,000	1,290,500	16,000
District Health Department					
Compensated absences	325,306	28,418	-	353,724	70,745
Road Commission					
Michigan transportation revenue note	1,800,000	-	200,000	1,600,000	200,000
Installment leases	275,438	-	18,805	256,633	19,570
Compensated absences	66,894	4,176	-	71,070	-
TOTAL COMPONENT UNITS	5,739,852	195,594	539,991	5,394,455	572,501
TOTAL REPORTING ENTITY	\$19,857,172	\$ 229,376	\$ 1,080,437	\$19,006,111	\$ 1,279,780

PRIMARY GOVERNMENT

Direct County Obligations

The Montcalm County Board of Commissioners is party to a long-term lease agreement for rental of the Montcalm Center for Behavioral Health facility from the Montcalm County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

The Montcalm County Board of Commissioners is also party to four (4) long-term loan agreements. The proceeds of these loans were used to defray the cost of capital acquisition and construction.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Direct County Obligations - continued

Bonds and loans payable at September 30, 2005 are as follows:

\$15,000,000 Montcalm County Building Authority - Jail Expansion Bonds Series 2000, dated September 1, 2000, due in annual installments ranging from \$470,000 to \$985,000 through May 1, 2025, with interest ranging from 5 to 5.25 percent, payable semi-annually.	\$12,945,000
\$82,699 Montcalm County installment loan payable, dated December 18, 2003, due in annual installments of \$16,540 through December 18, 2008 with interest of 2.9 percent, payable annually.	64,345
\$227,000 Montcalm County installment loan payable, dated June 9, 2004, due in annual installments of \$32,430 through June 1, 2012 with interest of 3.04 percent, payable annually.	201,413
\$165,978 Montcalm County installment loan payable, dated July 7, 2004, due in annual installments of \$36,221 through June 1, 2009 with interest of 3.04 percent, payable annually.	<u>134,368</u>
	<u>\$13,345,126</u>

Capital Leases

The County has entered into a lease purchase agreement which qualifies as a capital lease for accounting purposes (title transfers to County) and therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The following are additional details regarding the lease.

Business-type activities

\$12,975 Montcalm County capital lease payable dated December 30, 2003, due in monthly installments of \$360 through February 28, 2007 with no interest.	<u>\$ 6,127</u>
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Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$198,417 and \$61,986 for vacation and sick, respectively, at September 30, 2005. Of the total liability of \$260,403, \$158,111 has been reported as a current liability and \$102,292 has been reported as a noncurrent liability.

Current Borrowing

On December 18, 2003, Montcalm County entered into an \$82,699 installment loan payable to replace the County's accounting software. As of September 30, 2005, the County has drawn a total of \$80,885, leaving the balance of \$1,814 to be drawn subsequent to year end.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE H: LONG-TERM DEBT - CONTINUED**COMPONENT UNIT - DRAINAGE DISTRICTS**

The County has irrevocably pledged its full faith and credit as collateral for the following drain bonds and notes. These projects are administered by the Montcalm County Drain Commission for various local drainage districts. The drain bonds and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Drain Bonds and Notes - General Long-Term Debt

Bonds and notes payable at September 30, 2005, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

\$100,000 Village of Pierson Sanitary Drain District Bonds, Series A, dated November 1, 1985 due in annual installments ranging from \$2,000 to \$6,000 through November 1, 2014 with interest of 5.0 percent payable semi-annually.	\$ 49,000
\$133,000 Whetstone Drain District Note dated April 24, 2002, due in annual installments of \$26,600 through June 1, 2007 with interest of 3.78 percent, payable annually.	53,200
\$405,000 Weatherby Drain District Bonds, Series 2002, dated August 1, 2002, due in annual installments of \$60,000 through June 1, 2009 with interest ranging from 3.00 to 3.70 percent, payable semi-annually.	240,000
\$180,500 Stillwater Drain District Note dated May 20, 2003, due in annual installments of \$25,786 through June 1, 2010 with interest of 3.50 percent, payable annually.	128,928
\$140,000 Crystal Sewer Drain District Note dated December 1, 2004, due in annual installments of \$35,000 through June 1, 2008 with interest of 3.43 percent, payable annually.	105,000
\$1,151,000 Duck Lake Drain District Bonds, Series A and B, dated March 17, 2004, due in annual installments ranging from \$20,000 to \$59,000 through March 1, 2034 with interest of 4.50 percent, payable semi-annually.	1,092,000
Various drain notes due in various annual installments and interest rates through 2008.	<u>126,400</u>
	<u>\$ 1,794,528</u>

Bonds and notes payable at September 30, 2005 per respective Drain projects serviced from the Component Unit proprietary funds are as follows:

\$90,000 Big Whitefish Lake Sanitary Drain Extension Drainage District Note dated March 12, 1999 due in annual installments of \$14,000 through September 1, 2007 with interest ranging from 5.4 to 5.45 percent, payable semi-annually.	\$ 28,000
\$1,262,000 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated March 18, 1997 due in annual installments ranging from \$16,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually.	1,171,000
\$121,500 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated January 24, 2003 due in annual installments ranging from \$1,000 to \$8,000 through May 1, 2042, with interest of 4.625 percent payable semi-annually.	<u>119,500</u>
	<u>\$ 1,318,500</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Compensated Absences

In accordance with the District Health Department personnel policies and/or contracts negotiated with various employee groups, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amounts of these vested rights including the related payroll taxes reported by the District Health Department at September 30, 2005, amounts to \$353,724. Of the total liability, \$70,745 has been reported as a current liability and \$282,979 has been reported as a noncurrent liability.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable - Michigan Department of Transportation

On August 1, 2002, the Road Commission for Montcalm County borrowed \$2,000,000 at interest rates ranging from 2 to 3.4 percent. Payments are to be made in varying amounts for 10 years from the Michigan Department of Transportation Fund Revenue Notes of 2003 to defray the cost of constructing certain road improvements and facilities under the provisions of Public Act 143 of 1943.

\$ 1,600,000

Installment Leases

The Road Commission for Montcalm County entered into a lease agreement for \$176,944 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$1,675 and one payment of \$105,000.

\$ 140,272

The Road Commission for Montcalm County entered into a lease agreement for \$128,175 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$777 and on payment of \$105,000.

116,361

\$ 256,633

Compensated Absences

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights, including related payroll taxes, amounts to \$71,070 at September 30, 2005.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

Year Ending September 30,	Primary Government			
	Direct County Obligations		Capital Leases	
	Principal	Interest	Principal	Interest
2006	\$ 544,843	\$ 680,387	\$ 4,325	\$ -
2007	566,639	654,615	1,802	-
2008	588,473	627,796	-	-
2009	613,585	599,891	-	-
2010	589,608	570,692	-	-
2011-2015	2,651,978	2,455,294	-	-
2016-2020	3,370,000	1,710,188	-	-
2021-2025	<u>4,420,000</u>	<u>721,612</u>	<u>-</u>	<u>-</u>
	<u>\$13,345,126</u>	<u>\$ 8,020,475</u>	<u>\$ 6,127</u>	<u>\$ -0-</u>

Year Ending September 30,	Component Units					
	Drain Bonds and Notes		Installment Leases		Road Commission Notes Payable	
	Principal	Interest	Principal	Interest	Payment	Interest
2006	\$ 289,186	\$ 90,254	\$ 19,570	\$ 9,849	\$ 200,000	\$ 42,900
2007	236,186	80,245	20,367	9,053	200,000	38,900
2008	176,086	72,296	216,696	2,134	200,000	34,900
2009	135,286	66,612	-	-	200,000	30,400
2010	77,284	62,149	-	-	200,000	25,300
2011-2015	280,000	284,513	-	-	600,000	39,600
2016-2020	328,000	246,981	-	-	-	-
2021-2025	412,000	202,313	-	-	-	-
2026-2030	523,000	144,602	-	-	-	-
2031-2035	500,500	75,109	-	-	-	-
2036-2040	135,500	13,778	-	-	-	-
2041-2043	<u>20,000</u>	<u>1,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$3,113,028</u>	<u>\$1,340,795</u>	<u>\$ 256,633</u>	<u>\$ 21,036</u>	<u>\$1,600,000</u>	<u>\$ 212,000</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEMS

RETIREMENT SYSTEM - COUNTY GENERAL

Montcalm County is in a combined County single employer defined-benefit pension plan covering substantially all of its employees. The plan is administered by the Montcalm County Controller/Administrator and the County Pension Trust Committee. The plan is funded through the purchase of various investment vehicles as described in Note C. To be eligible for the plan, an employee must be a regular full-time employee who is not employed on a contract or fee basis with the County, provided such employee is not eligible for coverage, by reason of compensation received from the County, under any pension plan or retirement system other than that provided by the Social Security Act. The County's contributions for the year ended September 30, 2005 and 2004 were based on the payroll for employees covered by the plan for the year ended December 31, 2005 and 2004. The covered payroll for 2005 and 2004 was \$5,657,627 and \$7,444,958, respectively. The total payroll for the year ended September 30, 2005 and 2004 for the County General employees was \$8,368,921 and \$8,031,070, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Montcalm County Board of Commissioners. Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2005, membership consisted of 79 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 137 current active employees. The plan is recorded as a Pension Trust Fund in the County financial statements and is accounted for on the accrual basis of accounting.

The obligation to contribute to and maintain the plan for covered employees was established in the County of Montcalm Pension Plan, as amended July 3, 1997, and requires the following employee contributions:

<u>Employee Group</u>	<u>Contribution Rate</u>
Fraternal Order of Police	5.5%
Employees not covered by any collective bargaining agreement and County General and Behavioral Health employees in Unit 1 - AFSCME prior to 7/6/97	5.0
<u>Period</u>	
On or after 7/6/97 and before 1/3/98	4.5%
On or after 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5
<u>Employee Group</u>	
Probate/Juvenile Court employees of Unit 2 - AFSCME	
64B District Court employees of Unit 3 - AFSCME	
<u>Period</u>	
On or before 9/14/97 and before 1/3/98	4.5%
On or before 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actuarially determined combined employer and employee contributions for the plan year ended December 31, 2004, were \$868,082 and actual contributions were \$730,028. The actual employer contribution for the year ended September 30, 2005, was \$381,042. Employee contributions for the year ended September 30, 2005, were \$259,940.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
1/1/03	\$ 12,161,236	\$ 20,783,468	\$(8,622,232)	58.51 %	\$ 7,010,825	122.98 %
1/1/04	14,602,802	22,417,371	(7,814,569)	65.14	7,444,958	104.96
1/1/05	14,429,363	19,721,021	(5,291,658)	73.17	5,657,627	93.53

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended Dec. 31,	Annual Recommended Contribution	Actual Contributions	Percentage Contributed
2004	\$ 546,082	\$ 425,235	77.87 %
2003	662,770	567,535	85.63
2002	405,006	193,261	47.72

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2004, the latest actuarial valuation follows:

Actuarial cost method	Aggregate Cost Method
Amortization method	Level percent, closed
Remaining amortization period	*
Asset Valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5 %
Projected salary increased attributable to inflation	4.0 %
Cost of living adjustments	None

* Information not provided in actuarial valuation report.

NOTE: The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

The County also provides pension benefits for substantially all permanent, full and part time, non-union and union employees through a defined contribution plan, which was established by the Board of Commissioners and may be amended from time to time by the Board. This plan is administered by Michigan Municipal Employees Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The County contributes 5% of each participant's earnings to the plan. Employees are required to contribute 3.5% of their wages. The County's contributions are vested at a rate of 33% after one (1) year of service and an additional 33% per year for each year thereafter with full vesting after three (3) years of continuous service.

During the year ended September 30, 2005, the contributions to the plan by employer and employee were \$809,919 and \$844,882, respectively.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - DISTRICT HEALTH DEPARTMENT - COMPONENT UNIT

Plan Description

The Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Department. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees ranging from 0-2.75 percent of wages depending on the employee group covered. The Department is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2005, the Department's annual pension cost of \$291,913 for the plan was equal to the Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 4,082,966	\$ 4,418,331	\$ 4,736,069
Actuarial accrued liability (AAL) (entry age)	4,653,671	5,060,456	5,280,923
Unfunded AAL	570,705	642,125	544,854
Funded ratio	88 %	87 %	90 %
Covered payroll	2,693,292	2,723,172	2,743,285
UAAL as a percentage of covered payroll	21 %	24 %	20 %

	Year Ended September 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 177,435	\$ 258,402	\$ 291,913
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial report.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - ROAD COMMISSION - COMPONENT UNIT

Description of Plan and Plan Assets

The Road Commission for Montcalm County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death allowance, duty-connected death allowance, post-retirement adjustments, and death-after-retirement surviving spouse benefit. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% of the final average compensation (FAC). The service requirement for salaried employees and commissioners is under the B-4 provision of the retirement contract. This requirement is computed using the same criteria as the B-2 provisions except a sum of 2.5% of the FAC is used. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333 (a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Public Act 220 of 1996, as amended. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan, 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining units and requires a 1.5% contribution from general employees and a 3.5% contribution from salaried employees and commissioners. The employees contributed \$40,034 during the fiscal year ended September 30, 2005. The Road Commission is required to contribute at an actuarially determined rate; the rate was 8.21% for general employees and 15.5% for the manager for the calendar year ending December 31, 2004.

Annual Pension Cost

For the year ended December 31, 2004, the Road Commission's annual pension cost was \$389,163. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 31 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity and promotional salary increases.

Three (3) year trend information for GASB Statement No. 27

	Year Ended September 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 364,047	\$ 344,664	\$ 389,163
Percentage of APC contributed	100 %	100 %	100 %

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Required Supplementary Information for GASB Statement No. 27

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 6,531,184	\$ 7,193,892	\$ 7,611,830
Accrued liability (AAL)	7,691,890	9,766,582	10,696,031
(Overfunded) AAL (UAAL)	1,160,706	2,572,690	3,084,201
Funded ratio	85 %	74 %	71 %
Covered payroll	2,025,510	1,805,672	1,964,443
Percent of covered payroll	57 %	142 %	157 %

NOTE J: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County Management and Legal Counsel to be immaterial.

NOTE K: POST-EMPLOYMENT BENEFITS

Road Commission (Component Unit)

Road Commission for Montcalm County provides post-employment health care benefits, in accordance with the labor contract and personnel policy, to all employees who retire from the Road Commission. The employer will pay all costs for health and vision insurance and prescription drugs, including spouse, for all vested employees who retire at age 60. The employer continues to pay the premiums until age 65. At age 65, retirees must reimburse the employer for the cost of insurance. For employees choosing to retire at age 55 with at least 15 years of service during an open window period, the Road Commission will pay ½ of the retiree's/spouse's monthly health insurance premium until the retiree turns age 60. The Road Commission pays 100% of the retiree's health insurance premium from age 60-65.

Currently, 32 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission in 2005 totaled \$58,661. The expenditures are recognized as the insurance premiums become due on a pay-as-you-go-basis.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE L: FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2005, the Federal aid received and expended by the Road Commission was \$299,740 for contracted projects and \$-0- for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

NOTE M: RISK MANAGEMENT

The County participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, electronic data processing equipment, crime, employee benefits, officials' errors and omissions, and liability losses. The pool is organized under Public Act 138 of 1982, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The County also participates in a pool, the Michigan Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Road Commission (Component Unit)

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits' claims other than dental and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, error and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Montcalm County Road Commission became a charter member in 1982.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

Dental claims are paid by the Road Commission to the employee up to a maximum per household. Benefits lapse at year end.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy is shifting over the next three years from winter to summer.

The County's Winter 2004 and Summer 2005 ad valorem taxes were levied and collectible on December 1, 2004 and July 1, 2005, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2004 and Summer 2005 tax levies have been recognized as revenue in the current fiscal year. The 2004 taxable value of Montcalm County amounted to \$1,444,153,586 on which ad valorem taxes levied for County general operating purposes consisted of 4.4442 mills for Winter 2004 and 1.4679 mills for Summer 2005. For the year ended September 30, 2005, the County levied 0.2453 mills for the Commission on Aging, 0.4867 mills for Ambulance Services, 0.4443 mills for the library, 0.0010 mills for Veterans.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2005. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTE O: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the County has set aside for specific purposes.

The following are the various fund balance reserves as of September 30, 2005:

PRIMARY GOVERNMENT

General Fund	
Reserved for	
Prepays	\$ 134,801
Advances	187,016
General fund activities	<u>399,562</u>
	<u>\$ 721,379</u>
General Projects Fund	
Reserved for advances	<u>\$ 164,318</u>
Nonmajor governmental funds	
Reserved for	
Prepays	\$ 15,323
Marriage counseling	91,786
Grant expenditures	78,374
Wireless surcharge	141,049
Trust activities	129,708
K-9 program	<u>420</u>
	<u>\$ 456,660</u>

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE O: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED

COMPONENT UNITS

Drainage Districts	
Reserved for debt service	\$ <u>211,674</u>

The following are the various fund balance designations as of September 30, 2005:

PRIMARY GOVERNMENT

Nonmajor governmental funds	
Designated for capital projects	\$ <u>104,483</u>

COMPONENT UNITS

Drainage Districts	
Designated for capital projects	\$ <u>405,682</u>

NOTE P: RESTRICTED NET ASSETS

Restrictions on net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source preclude their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2005:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Public safety	
Drug law enforcement	\$ 6,758
CMET	78,374
Law enforcement	1,419
Victim support team	<u>2,010</u>
	\$ <u>88,561</u>

Solid waste planning	\$ <u>377,897</u>
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Other purposes

Public improvement	\$ 17,176
Cemetery	107,249
Law library	2,430
Register of Deeds Automation	87,307
Commission on Aging	201,678
D.H.S. State monies	53,376
Childcare D.H.S.	3,848
Childcare - juvenile	<u>2,111</u>
	\$ <u>475,175</u>

Business-type activities

Restricted for public safety	\$ <u>46,522</u>
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COMPONENT UNITS

Drainage districts	
Restricted for debt service	\$ <u>154,750</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE Q: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning net assets. The effect on operations and other affected balances for the current and prior period are as follows:

	September 30,		<u>Description</u>
	<u>2005</u>	<u>2004</u>	
PRIMARY GOVERNMENT			
Governmental Activities			
Capital assets, net of accumulated depreciation \$	-	\$(1,018,375)	Correct overstatement of capital assets
Net assets - beginning	(1,018,375)	-	
COMPONENT UNITS			
Governmental Activities			
Capital assets	-	5,467,407	Correct overstatement of capital assets and deferred revenue
Deferred revenue	-	1,697,714	
Net assets - beginning	7,165,121	-	

NOTE R: SUBSEQUENT EVENTS

After the year ended September 30, 2005, the following significant events occurred:

On October 4, 2005, the County issued 2005 Building Authority Refunding Bonds in the amount of \$9,320,000 to refinance the portion of the 2000 Building Authority Bonds due and payable 5/1/2006 to 5/1/2010. The bonds were issued with a rating of AAA from Standard and Poor's. Annual debt service begins in May 2006 and ends in May 2025.

On December 15, 2005, the County issued 2005 Capital Improvement Bonds in the amount of \$500,000 to refinance the acquisition and construction of certain capital improvement items for the benefit of the County. The bonds were issued with a rating of AAA from Standard and Poor's. Annual debt service begins in November 2006 and ends in November 2010.

REQUIRED SUPPLEMENTARY INFORMATION

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES

Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Current property taxes	\$ 5,793,737	\$ 7,754,359	\$ 7,878,645	\$ 124,286
Delinquent property taxes	20,800	20,800	31,472	10,672
Payments in lieu of taxes	6,000	6,000	957	(5,043)
Mobile home park taxes	3,193	3,193	4,005	812
Other taxes	2,523	2,523	2,248	(275)
Total taxes	5,826,253	7,786,875	7,917,327	130,452
Licenses and permits				
Dog licenses	101,920	170,520	178,407	7,887
Marriage license fees	2,704	2,704	2,945	241
Gun permits	7,000	7,000	7,685	685
Total licenses and permits	111,624	180,224	189,037	8,813
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	65,000	66,475	66,540	65
Central Michigan Enforcement Team	56,160	56,160	60,075	3,915
Bullet proof vest grant	-	725	-	(725)
Probate Judge's salary	105,098	105,098	94,195	(10,903)
Judicial salary standardization	137,172	137,172	137,172	-0-
Case flow assistance	15,600	10,500	10,847	347
Sheriff secondary road patrol	120,565	115,970	94,560	(21,410)
Marine safety	27,750	27,750	21,483	(6,267)
Victims Rights Act	39,391	39,391	37,417	(1,974)
Juvenile officer grant	27,320	27,320	27,317	(3)
State remonumentation	90,177	161,300	124,850	(36,450)
Convention and tourism tax	150,000	167,093	167,093	-0-
Cigarette tax	40,506	35,234	35,234	-0-
State revenue sharing - income tax	764,000	-	-	-0-
Single business tax	81,500	-	-	-0-
Liquor license fees	7,416	7,416	8,760	1,344
Michigan justice training	6,000	6,000	5,681	(319)
Court equity	375,000	380,114	349,628	(30,486)
Total intergovernmental - Federal/State	2,108,655	1,343,718	1,240,852	(102,866)

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services				
District Court	\$ 859,200	\$ 859,200	\$ 808,158	\$ (51,042)
Circuit Court	95,740	95,740	83,011	(12,729)
Probate Court	49,900	49,900	52,746	2,846
County Treasurer	76,750	76,750	69,442	(7,308)
County Clerk	106,500	107,700	114,967	7,267
Register of Deeds	787,518	750,443	764,803	14,360
Sheriff department	250,416	275,466	250,616	(24,850)
Care of prisoners	444,200	444,200	459,035	14,835
Animal shelter	5,000	5,000	6,021	1,021
Phone services	72,720	67,000	69,817	2,817
Central services	371,500	371,500	352,114	(19,386)
Other	1,000	1,000	1,918	918
Total charges for services	3,120,444	3,103,899	3,032,648	(71,251)
Fines and forfeits				
Ordinance fines and costs	155,250	155,250	128,934	(26,316)
Interest and rents				
Interest revenue	73,000	84,900	131,520	46,620
Rental fees	131,500	131,500	130,000	(1,500)
Total interest and rents	204,500	216,400	261,520	45,120
Other				
Insurance dividends	50,000	50,000	38,822	(11,178)
Sale of fixed assets	28,300	28,300	20,025	(8,275)
Reimbursement and refunds	185,020	184,668	151,403	(33,265)
Remonumentation contribution	-	17,700	24,700	7,000
Other	2,400	3,800	84,272	80,472
Total other	265,720	284,468	319,222	34,754
TOTAL REVENUES	11,792,446	13,070,834	13,089,540	18,706
OTHER FINANCING SOURCES				
Transfers in	1,133,701	2,049,128	1,827,304	(221,824)
Loan proceeds	-	-	2,846	2,846
TOTAL OTHER FINANCING SOURCES	1,133,701	2,049,128	1,830,150	(218,978)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 12,926,147</u>	<u>\$ 15,119,962</u>	<u>\$ 14,919,690</u>	<u>\$ (200,272)</u>

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
Board of Commissioners	\$ 143,053	\$ 146,303	\$ 143,078	\$ 3,225
Circuit Court	359,574	414,574	413,440	1,134
Circuit Court probation	6,932	6,945	5,461	1,484
District Court	583,027	599,594	599,523	71
District Court probation	176,394	176,394	160,461	15,933
Probate Court	792,641	792,761	766,259	26,502
Jury Board	4,134	4,134	3,325	809
Witness fees	12,721	12,721	12,629	92
Elections	45,241	62,014	59,775	2,239
Clerk	296,492	302,992	289,054	13,938
Professional consultants	50,600	80,600	60,211	20,389
Controller	240,513	290,322	265,421	24,901
Risk management	1,000	1,000	-	1,000
Equalization	299,966	299,966	290,888	9,078
Prosecuting Attorney	426,305	426,925	421,782	5,143
Register of Deeds	263,467	248,648	247,344	1,304
Information Systems	73,722	73,722	34,488	39,234
Central services	14,340	14,340	13,159	1,181
Survey and remonumentation	90,177	179,000	111,056	67,944
Treasurer	238,845	242,345	241,286	1,059
Cooperative extension	203,175	203,175	194,982	8,193
Building and grounds	742,738	732,540	715,100	17,440
Building rent	1,014,644	1,014,644	1,014,369	275
Drain Commission	161,050	163,910	163,353	557
Total general government	6,240,751	6,489,569	6,226,444	263,125
Public safety				
Sheriff - general	1,619,662	1,638,806	1,629,278	9,528
Sheriff - road patrol	133,706	164,706	161,454	3,252
Contracted police service	189,531	193,131	193,123	8
Justice training	6,029	6,029	3,508	2,521
Building security	102,258	102,258	97,442	4,816
Marine safety	47,981	56,381	56,317	64
Jail	2,218,481	2,176,063	2,080,700	95,363
West Michigan Planning	3,217	3,217	2,929	288
Disaster relief	500	500	-	500
Animal control	99,640	122,169	122,044	125
Total public safety	4,421,005	4,463,260	4,346,795	116,465
Public works				
Drains at large	100,000	109,800	109,516	284

Montcalm County, Michigan

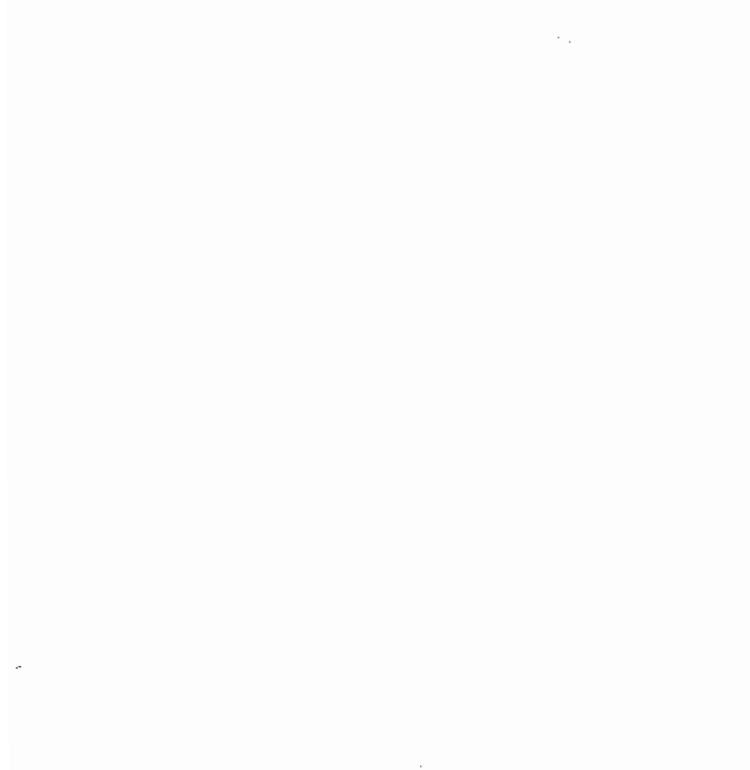
General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Health and welfare				
Contagious diseases	\$ 5,640	\$ 5,640	\$ 1,692	\$ 3,948
Medical examiner	82,680	94,815	94,513	302
Veterans burials	7,115	7,115	5,500	1,615
Substance Abuse Commission	75,000	83,547	83,547	-0-
Mental Health	188,053	188,053	188,053	-0-
District Health Department	465,972	462,251	462,250	1
Total health and welfare	824,460	841,421	835,555	5,866
Community and economic development				
Planning commission	45,080	46,080	45,222	858
Economic development	5,000	5,000	5,000	-0-
Total community and economic development	50,080	51,080	50,222	858
Other	272,200	143,923	133,145	10,778
Debt service				
Principal redemption	28,863	28,863	28,859	4
Interest redemption	3,127	3,127	2,358	769
Total debt service	31,990	31,990	31,217	773
TOTAL EXPENDITURES	11,940,486	12,131,043	11,732,894	398,149
OTHER FINANCING USES				
Transfers to other funds				
Parks and Recreation Fund	29,600	29,600	29,600	-0-
Revenue Sharing Reserve Fund	-	1,978,117	1,977,950	167
Friend of the Court Fund	56,120	56,120	19,894	36,226
DHS Fund	5,000	5,000	5,000	-0-
Juvenile Child Care Fund	650,000	650,000	377,000	273,000
Juvenile Child Care DHS Fund	6,000	6,000	3,000	3,000
Office Equipment Pool Fund	20,000	20,000	20,000	-0-
Law Enforcement Fund	1,111	1,111	1,111	-0-
Law Library Fund	5,000	5,000	4,600	400
Homeland Security Grant Fund	-	-	3,566	(3,566)
Building Authority Fund	-	-	1,809	(1,809)
Equipment Purchase and Replacement Fund	176,835	245,684	245,684	-0-
Register of Deeds Automation Fund	95,000	98,000	97,915	85
Post-Retirement Health Fund	20,000	15,200	15,200	-0-
TOTAL OTHER FINANCING USES	1,064,666	3,109,832	2,802,329	307,503
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 13,005,152	\$ 15,240,875	\$ 14,535,223	\$ 705,652

OTHER SUPPLEMENTARY INFORMATION



Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2005

	Special		
	Parks and Recreation	Solid Waste Planning	Central Dispatch
ASSETS			
Cash and cash equivalents	\$ 5,811	\$ 280,188	\$ -
Investments	-	-	-
Accounts receivable	-	98,518	-
Land contract receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
Federal/State	-	-	-
Local	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 5,811</u>	<u>\$ 378,706</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,139	\$ 809	\$ -
Accrued wages	619	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,758	809	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Marriage counseling	-	-	-
Grant expenditures	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	4,053	377,897	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>4,053</u>	<u>377,897</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,811</u>	<u>\$ 378,706</u>	<u>\$ -0-</u>

Revenue				
Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ 54,398	\$ 216	\$ (12,075)	\$ 3,403	\$ 201,572
-	-	-	-	-
1,577	-	66,905	-	17,007
-	-	-	-	-
-	2,163	1,380	-	-
101,616	9,648	-	-	-
-	-	-	-	-
1,297	-	-	-	-
<u>\$ 158,888</u>	<u>\$ 12,027</u>	<u>\$ 56,210</u>	<u>\$ 3,403</u>	<u>\$ 218,579</u>
\$ 2,149	\$ -	\$ 48,401	\$ 973	\$ 8,247
16,913	-	-	-	8,654
-	-	6,150	-	-
-	10,608	-	-	-
8,270	-	-	-	-
-	-	-	-	-
-	-	-	-	-
27,332	10,608	54,551	973	16,901
1,297	-	-	-	-
91,786	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	420	-	-	-
-	-	-	-	-
38,473	999	1,659	2,430	201,678
-	-	-	-	-
-	-	-	-	-
<u>131,556</u>	<u>1,419</u>	<u>1,659</u>	<u>2,430</u>	<u>201,678</u>
<u>\$ 158,888</u>	<u>\$ 12,027</u>	<u>\$ 56,210</u>	<u>\$ 3,403</u>	<u>\$ 218,579</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2005

	Special		
	DHS Child Care	CDBG - Housing	Juvenile Child Care
ASSETS			
Cash and cash equivalents	\$ 3,848	\$ 6,155	\$ (210,318)
Investments	-	-	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	14	-
Due from other governmental units			
Federal/State	-	-	218,760
Local	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 3,848</u>	<u>\$ 6,169</u>	<u>\$ 8,442</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 2,500	\$ 6,331
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	2,500	6,331
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Marriage counseling	-	-	-
Grant expenditures	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	3,848	3,669	2,111
Debt service funds	-	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>3,848</u>	<u>3,669</u>	<u>2,111</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,848</u>	<u>\$ 6,169</u>	<u>\$ 8,442</u>

Revenue				
Drug Law Enforcement	Homeland Security Grant	Community Information Systems	Veterans Trust	Public Improvement
\$ 6,758	\$ (198,449)	\$ 19,165	\$ 1,250	\$ 17,176
-	-	-	-	-
-	-	4,600	-	-
-	-	-	-	-
-	-	-	-	-
-	265,028	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,758</u>	<u>\$ 66,579</u>	<u>\$ 23,765</u>	<u>\$ 1,250</u>	<u>\$ 17,176</u>
\$ -	\$ 66,176	\$ -	\$ 9	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	403	-	-	-
-0-	66,579	-0-	9	-0-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	17,176
6,758	-	23,765	1,241	-
-	-	-	-	-
-	-	-	-	-
<u>6,758</u>	<u>-0-</u>	<u>23,765</u>	<u>1,241</u>	<u>17,176</u>
<u>\$ 6,758</u>	<u>\$ 66,579</u>	<u>\$ 23,765</u>	<u>\$ 1,250</u>	<u>\$ 17,176</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2005

		Special	
	Soldiers and Sailors Relief	DHS	CMET
ASSETS			
Cash and cash equivalents	\$ 3,675	\$ 100,340	\$ (37,863)
Investments	-	-	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
Federal/State	-	63,036	79,198
Local	-	-	81,192
Prepays	-	-	-
TOTAL ASSETS	\$ 3,675	\$ 163,376	\$ 122,527
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 44,153
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	110,000	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	110,000	44,153
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Marriage counseling	-	-	-
Grant expenditures	-	-	78,374
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	3,675	53,376	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	3,675	53,376	78,374
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,675	\$ 163,376	\$ 122,527

Revenue				
Register of Deeds Automation	Cemetery	Law Enforcement Trust	Victim Support Team	Local Correction Officer Training
\$ 87,307	\$ 13,087	\$ 25,442	\$ 2,010	\$ 19,297
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 87,307</u>	<u>\$ 13,087</u>	<u>\$ 25,442</u>	<u>\$ 2,010</u>	<u>\$ 19,297</u>
\$ -	\$ -	\$ 4,993	\$ -	\$ 123
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	-0-	\$ 4,993	-0-	123
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	13,087	20,449	2,010	-
-	-	-	-	-
87,307	-	-	-	-
-	-	-	-	19,174
-	-	-	-	-
-	-	-	-	-
<u>87,307</u>	<u>13,087</u>	<u>20,449</u>	<u>2,010</u>	<u>19,174</u>
<u>\$ 87,307</u>	<u>\$ 13,087</u>	<u>\$ 25,442</u>	<u>\$ 2,010</u>	<u>\$ 19,297</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2005

	Special Revenue		Debt Service
	Revenue Sharing Reserve	Central Dispatch Authority	Building Authority
ASSETS			
Cash and cash equivalents	\$ (234,060)	\$ 239,524	\$ 2,375
Investments	-	244,220	-
Accounts receivable	-	105,844	-
Land contract receivable	-	-	-
Due from other funds	887,189	-	-
Due from other governmental units			
Federal/State	-	-	-
Local	-	-	-
Prepays	-	14,026	-
TOTAL ASSETS	<u>\$ 653,129</u>	<u>\$ 603,614</u>	<u>\$ 2,375</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 175,371	\$ -
Accrued wages	-	24,066	-
Accrued liabilities	-	-	-
Due to other funds	-	-	2,375
Due to others	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	199,437	2,375
FUND BALANCES			
Reserved for			
Prepays	-	14,026	-
Marriage counseling	-	-	-
Grant expenditures	-	-	-
Wireless surcharge	-	141,049	-
Trust activities	-	-	-
K-9 program	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	653,129	249,102	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>653,129</u>	<u>404,177</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 653,129</u>	<u>\$ 603,614</u>	<u>\$ 2,375</u>

Capital Projects			Permanent		Total Nonmajor Governmental Funds
Park Improvements	Equipment Purchase and Replacement	Building Authority	Cemetery		
\$ 107,220	\$ 3,990	\$ 34,613	\$ 94,162	\$ 640,217	
-	-	-	-	244,220	
-	-	-	-	294,451	
171,425	-	-	-	171,425	
-	10,608	111	-	901,465	
-	-	-	-	737,286	
-	-	-	-	81,192	
-	-	-	-	15,323	
<u>\$ 278,645</u>	<u>\$ 14,598</u>	<u>\$ 34,724</u>	<u>\$ 94,162</u>	<u>\$ 3,085,579</u>	
\$ -	\$ 6,299	\$ 417	\$ -	\$ 368,090	
-	-	-	-	50,252	
-	-	-	-	6,150	
-	-	-	-	12,983	
-	-	-	-	8,270	
-	-	-	-	110,000	
171,425	-	-	-	171,828	
171,425	6,299	417	-0-	727,573	
-	-	-	-	15,323	
-	-	-	-	91,786	
-	-	-	-	78,374	
-	-	-	-	141,049	
-	-	-	94,162	129,708	
-	-	-	-	420	
-	-	-	-	104,483	
-	-	-	-	1,647,037	
-	-	-	-	-	
107,220	8,299	34,307	-	149,826	
107,220	8,299	34,307	94,162	2,358,006	
<u>\$ 278,645</u>	<u>\$ 14,598</u>	<u>\$ 34,724</u>	<u>\$ 94,162</u>	<u>\$ 3,085,579</u>	

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended September 30, 2005

	Special		
	Parks and Recreation	Solid Waste Planning	Central Dispatch
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	-	-
Local	-	-	-
Charges for services	9,370	253,021	556,286
Fines and forfeits	-	-	-
Interest and rents	-	-	6,340
Other	-	6,723	-
TOTAL REVENUES	9,370	259,744	562,626
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	691,738
Public works	-	505,487	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	35,749	-	-
Capital outlay	-	-	-
Debt service	-	-	36,221
TOTAL EXPENDITURES	35,749	505,487	727,959
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,379)	(245,743)	(165,333)
OTHER FINANCING SOURCES (USES)			
Transfers in	34,600	-	2,745
Transfers out	(6,280)	(5,000)	(546,447)
TOTAL OTHER FINANCING SOURCES (USES)	28,320	(5,000)	(543,702)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,941	(250,743)	(709,035)
Fund balances, beginning of year	2,112	628,640	709,035
Fund balances, end of year	\$ 4,053	\$ 377,897	\$ -0-

Revenue				
Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ -	\$ -	\$ 584,849	\$ -	\$ 322,273
7,935	-	-	-	-
584,096	8,041	48,401	-	147,186
-	-	-	-	-
107,598	-	-	-	37,656
-	-	-	6,500	-
646	28	-	-	5,685
-	-	-	-	15,816
700,275	8,069	633,250	6,500	528,616
717,408	-	-	10,560	-
-	144	-	-	-
-	-	-	-	-
-	-	-	-	470,753
-	-	-	-	-
-	-	633,005	-	-
-	-	-	-	-
-	-	-	-	32,430
717,408	144	633,005	10,560	503,183
(17,133)	7,925	245	(4,060)	25,433
19,894	1,111	-	4,600	-
-	(10,719)	-	-	(74,102)
19,894	(9,608)	-0-	4,600	(74,102)
2,761	(1,683)	245	540	(48,669)
128,795	3,102	1,414	1,890	250,347
\$ 131,556	\$ 1,419	\$ 1,659	\$ 2,430	\$ 201,678

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2005

	Special		
	DHS Child Care	CDBG - Housing	Juvenile Child Care
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	168,280	315,338
Local	-	-	-
Charges for services	-	53,327	75,155
Fines and forfeits	-	-	-
Interest and rents	-	77	-
Other	-	200	-
TOTAL REVENUES	-0-	221,884	390,493
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	2,484	-	765,766
Community and economic development	-	222,655	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,484	222,655	765,766
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,484)	(771)	(375,273)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,000	-	377,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,000	-0-	377,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	516	(771)	1,727
Fund balances, beginning of year	3,332	4,440	384
Fund balances, end of year	\$ 3,848	\$ 3,669	\$ 2,111

Revenue				
Drug Law Enforcement	Homeland Security Grant	Community Information Systems	Veterans Trust	Public Improvement
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	406,861	-	6,116	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	552	-	4,028
5,519	-	4,600	-	-
5,519	406,861	5,152	6,116	4,028
-	-	2,962	-	-
-	410,584	-	-	-
-	-	-	-	-
-	-	-	5,266	-
-	-	-	-	2,749
-	-	-	-	-
-	-	-	-	-
-0-	410,584	2,962	5,266	2,749
5,519	(3,723)	2,190	850	1,279
-	3,723	-	-	-
-	-	-	-	-
-0-	3,723	-0-	-0-	-0-
5,519	-	2,190	850	1,279
1,239	-	21,575	391	15,897
\$ 6,758	\$ -0-	\$ 23,765	\$ 1,241	\$ 17,176

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2005

	Special		
	Soldiers and Sailors Relief	DHS	CMET
REVENUES			
Taxes	\$ 1,133	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	365,346	221,450
Local	-	-	152,000
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	44,608	162,000
TOTAL REVENUES	1,133	409,954	535,450
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	462,491
Public works	-	-	-
Health and welfare	1,096	368,218	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,096	368,218	462,491
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37	41,736	72,959
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	5,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	37	46,736	72,959
Fund balances, beginning of year	3,638	6,640	5,415
Fund balances, end of year	\$ 3,675	\$ 53,376	\$ 78,374

Revenue				
Register of Deeds Automation	Cemetery	Law Enforcement Trust	Victim Support Team	Local Correction Officer Training
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	100	-	-	21,756
-	-	-	-	-
1,760	-	-	1	-
-	-	3,341	1,600	-
1,760	100	3,341	1,601	21,756
54,678	940	-	-	-
-	-	200	-	12,792
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
14,995	-	-	-	-
-	-	-	-	-
69,673	940	200	-0-	12,792
(67,913)	(840)	3,141	1,601	8,964
97,915	-	-	-	-
-	-	-	-	-
97,915	-0-	-0-	-0-	-0-
30,002	(840)	3,141	1,601	8,964
57,305	13,927	17,308	409	10,210
\$ 87,307	\$ 13,087	\$ 20,449	\$ 2,010	\$ 19,174

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2005

	Special Revenue		Debt Service
	Revenue Sharing Reserve	Central Dispatch Authority	Building Authority
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	-	-
Local	-	-	-
Charges for services	-	444,906	-
Fines and forfeits	-	-	-
Interest and rents	-	1,295	1,140,630
Other	-	-	-
TOTAL REVENUES	-0-	446,201	1,140,630
EXPENDITURES			
Current			
General government	234,060	-	-
Public safety	-	556,876	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	1,142,994
TOTAL EXPENDITURES	234,060	556,876	1,142,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(234,060)	(110,675)	(2,364)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,977,950	525,551	1,809
Transfers out	(1,090,761)	(10,699)	-
TOTAL OTHER FINANCING SOURCES (USES)	887,189	514,852	\$ 1,809
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	653,129	404,177	(555)
Fund balances, beginning of year	-	-	555
Fund balances, end of year	\$ 653,129	\$ 404,177	\$ -0-

Capital Projects			Permanent	Total
Park Improvements	Equipment Purchase and Replacement	Building Authority	Cemetery	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 908,255
-	-	-	-	7,935
-	-	-	-	2,271,115
-	-	-	-	152,000
-	-	-	-	1,559,175
-	-	-	-	6,500
2,114	-	848	2,422	1,166,426
19,825	-	-	-	264,232
21,939	-0-	848	2,422	6,335,638
-	-	-	-	1,020,608
-	-	-	-	2,134,825
-	-	-	-	505,487
-	-	-	-	1,613,583
-	-	-	-	225,404
-	-	-	-	668,754
32,883	355,169	9,882	-	412,929
-	-	-	-	1,211,645
32,883	355,169	9,882	-0-	7,793,235
(10,944)	(355,169)	(9,034)	2,422	(1,457,597)
-	363,468	111	-	3,418,477
-	-	-	-	(1,744,008)
-0-	363,468	111	-0-	1,674,469
(10,944)	8,299	(8,923)	2,422	216,872
118,164	-	43,230	91,740	2,141,134
\$ 107,220	\$ 8,299	\$ 34,307	\$ 94,162	\$ 2,358,006

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Inmate Commissary	Building Official	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 10,807	\$ 61,330	\$ 72,137
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	30,293	30,293
TOTAL ASSETS	10,807	91,623	102,430
LIABILITIES			
Current liabilities			
Accounts payable	5,008	1,425	6,433
Accrued wages	-	13,383	13,383
TOTAL LIABILITIES	5,008	14,808	19,816
NET ASSETS			
Invested in capital assets, net of related debt	-	30,293	30,293
Restricted for public safety	-	46,522	46,522
Unrestricted	5,799	-	5,799
TOTAL NET ASSETS	\$ 5,799	\$ 76,815	\$ 82,614

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2005

	Inmate Commissary	Building Official	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ -	\$ 446,307	\$ 446,307
Sales	98,099	-	98,099
TOTAL OPERATING REVENUES	98,099	446,307	544,406
OPERATING EXPENSES			
Personnel services	-	298,784	298,784
Fringe benefits	-	82,353	82,353
Operating supplies	88,625	8,724	97,349
Contractual services	-	34,113	34,113
Communications	-	7,105	7,105
Depreciation	-	10,159	10,159
Insurance	-	3,979	3,979
Vehicle expense	-	1,999	1,999
Repairs and maintenance	-	407	407
Other	5,004	2,575	7,579
TOTAL OPERATING EXPENSES	93,629	450,198	543,827
OPERATING INCOME (LOSS)	4,470	(3,891)	579
NONOPERATING REVENUES			
Interest revenue	-	735	735
INCOME (LOSS) BEFORE TRANSFERS	4,470	(3,156)	1,314
TRANSFERS OUT			
Transfers out	(900)	-	(900)
CHANGE IN NET ASSETS	3,570	(3,156)	414
Net assets, beginning of year	2,229	79,971	82,200
Net assets, end of year	\$ 5,799	\$ 76,815	\$ 82,614

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2005

	Inmate Commissary	Building Official	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 98,099	\$ 446,307	\$ 544,406
Cash paid to suppliers	(92,632)	(59,166)	(151,798)
Cash paid for employee benefits	-	(80,224)	(80,224)
Cash paid to employees	-	(298,784)	(298,784)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,467	8,133	13,600
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(900)	-	(900)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	-	(10,753)	(10,753)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	735	735
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,567	(1,885)	2,682
Cash and cash equivalents, beginning of year	6,240	63,215	69,455
Cash and cash equivalents, end of year	<u>\$ 10,807</u>	<u>\$ 61,330</u>	<u>\$ 72,137</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 4,470	\$ (3,891)	\$ 579
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	-	10,159	10,159
Increase (decrease) in accounts payable	997	(264)	733
Increase in accrued liabilities	-	2,129	2,129
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,467	\$ 8,133	\$ 13,600

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Office Equipment Pool	Post- Retirement Health	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 24,543	\$ 122,846	\$ 147,389
Noncurrent assets			
Capital assets, net of accumulated depreciation	11,750	-	11,750
TOTAL ASSETS	36,293	122,846	159,139
LIABILITIES			
Current liabilities			
Accounts payable	668	-	668
NET ASSETS			
Invested in capital assets, net of related debt	11,750	-	11,750
Unrestricted	23,875	122,846	146,721
TOTAL NET ASSETS	\$ 35,625	\$ 122,846	\$ 158,471

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2005

	Office Equipment Pool	Post- Retirement Health	Total
OPERATING REVENUES			
Other	\$ -	\$ 22,573	\$ 22,573
OPERATING EXPENSES			
Contractual services	5,291	-	5,291
Supplies	3,001	-	3,001
Depreciation	6,073	-	6,073
Other	-	26,114	26,114
TOTAL OPERATING EXPENSES	14,365	26,114	40,479
OPERATING (LOSS)	(14,365)	(3,541)	(17,906)
NONOPERATING REVENUES			
Interest revenue	-	1,759	1,759
LOSS BEFORE TRANSFERS	(14,365)	(1,782)	(16,147)
TRANSFERS IN			
Transfers in	20,000	20,000	40,000
CHANGE IN NET ASSETS	5,635	18,218	23,853
Net assets, beginning of year	29,990	104,628	134,618
Net assets, end of year	\$ 35,625	\$ 122,846	\$ 158,471

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2005

	Office Equipment Pool	Post- Retirement Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ -	\$ 22,573	\$ 22,573
Cash paid to suppliers	(8,559)	-	(8,559)
Cash paid for employee fringe benefits	-	(26,114)	(26,114)
NET CASH (USED) BY OPERATING ACTIVITIES	(8,559)	(3,541)	(12,100)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	20,000	20,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer from other funds	20,000	-	20,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	-	1,759	1,759
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,441	18,218	29,659
Cash and cash equivalents, beginning of year	13,102	104,628	117,730
Cash and cash equivalents, end of year	<u>\$ 24,543</u>	<u>\$ 122,846</u>	<u>\$ 147,389</u>
Reconciliation of operating (loss) to net cash (used) by operating activities			
Operating (loss)	\$ (14,365)	\$ (3,541)	\$ (17,906)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	6,073	-	6,073
(Decrease) in accounts payable	(267)	-	(267)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (8,559)</u>	<u>\$ (3,541)</u>	<u>\$ (12,100)</u>

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2005

	Agency Funds				Total Agency Funds
	Trust and Agency	Library Fund	FIA Ionia County	CMET Forfeiture	
ASSETS					
Cash and cash equivalents	\$ 3,952,079	\$ 130,791	\$ 11,965	\$ 136,165	\$ 4,231,000
LIABILITIES					
Due to other governmental units					
Federal/State	\$ 3,564,811	\$ -	\$ -	\$ -	\$ 3,564,811
Local	256,602	130,791	11,965	136,165	535,523
Due to individuals and agencies	130,666	-	-	-	130,666
TOTAL LIABILITIES	\$ 3,952,079	\$ 130,791	\$ 11,965	\$ 136,165	\$ 4,231,000

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2005

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
ASSETS			
Cash and cash equivalents	\$ 211,674	\$ 46,238	\$ 178,529
Cash and cash equivalents - restricted	-	-	-
Accounts receivable	-	-	-
Special assessments receivable	1,608,528	-	-
Due from other funds	-	-	-
Capital assets not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	\$ 1,820,202	\$ 46,238	\$ 178,529
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ -	\$ 13,668	\$ 8,513
Accrued wages	-	1,408	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deferred revenue	1,608,528	-	-
Bonds and notes payable	-	-	-
Advances from other governmental units	-	-	170,016
TOTAL LIABILITIES	1,608,528	15,076	178,529
FUND EQUITY			
Net assets			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	-	-	-
Fund balances			
Reserved for debt service	211,674	-	-
Unreserved			
Designated for capital expenditures	-	31,162	-
TOTAL FUND EQUITY	211,674	31,162	-0-
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,820,202	\$ 46,238	\$ 178,529

Projects			Enterprise		Total
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Big Whitefish Lake	Little Whitefish Lake	
\$ 66,053	\$ 327,309	\$ 20,232	\$ 167,298	\$ 285,181	\$ 1,302,514
-	-	-	-	225,020	225,020
-	-	-	2,158	7,123	9,281
-	-	-	-	229,335	1,837,863
-	-	1,518	-	-	1,518
-	-	-	75,650	-	75,650
-	-	-	630,490	2,262,085	2,892,575
<u>\$ 66,053</u>	<u>\$ 327,309</u>	<u>\$ 21,750</u>	<u>\$ 875,596</u>	<u>\$ 3,008,744</u>	<u>\$ 6,344,421</u>
\$ 2,529	\$ 14,796	\$ 4,750	\$ 1,470	\$ 871	\$ 46,597
-	-	-	-	-	1,408
-	1,518	-	-	-	1,518
-	-	-	16,564	26,521	43,085
-	-	-	-	-	1,608,528
-	-	-	28,000	1,290,500	1,318,500
-	-	17,000	104,198	-	291,214
2,529	16,314	21,750	150,232	1,317,892	3,310,850
-	-	-	678,140	971,585	1,649,725
-	-	-	47,224	719,267	766,491
-	-	-	-	-	211,674
63,524	310,995	-	-	-	405,681
63,524	310,995	-0-	725,364	1,690,852	3,033,571
<u>\$ 66,053</u>	<u>\$ 327,309</u>	<u>\$ 21,750</u>	<u>\$ 875,596</u>	<u>\$ 3,008,744</u>	<u>\$ 6,344,421</u>

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2005

Total fund balance - governmental funds \$ 617,355

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,431,864	
Accumulated depreciation is	<u>(8,106)</u>	2,423,758

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of

Deferred revenue	1,608,528
------------------	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable	\$ (1,794,528)	
Accrued interest payable	<u>(13,839)</u>	<u>(1,808,367)</u>

Net assets of governmental activities \$ 2,841,274

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND TYPES - DRAINAGE DISTRICTS

Year Ended September 30, 2005

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Charges for services	-	-	-
Intergovernmental	-	956,000	-
Interest	-	4,402	-
Other			
Special assessments	369,165	154,886	-
Other	-	715	-
TOTAL REVENUES	369,165	1,116,003	-0-
EXPENDITURES			
Current			
Public works	-	335,523	-
Capital outlay	-	968,072	-
Debt service			
Principal	291,186	-	-
Interest and fiscal charges	81,062	-	-
TOTAL EXPENDITURES	372,248	1,303,595	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,083)	(187,592)	-0-
OTHER FINANCING SOURCES			
Proceeds from notes	-	162,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(3,083)	(25,592)	-0-
Fund balances, beginning of year	214,757	56,754	-
Fund balances, end of year	\$ 211,674	\$ 31,162	\$ -0-

Projects			
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Total
\$ 13,680	\$ -	\$ -	\$ 13,680
31,637	-	-	31,637
-	-	-	956,000
-	4,379	-	8,781
-	386,545	-	910,596
-	-	-	715
45,317	390,924	-0-	1,921,409
19,862	344,359	-	699,744
-	-	-	968,072
-	-	-	291,186
-	-	-	81,062
19,862	344,359	-0-	2,040,064
25,455	46,565	-0-	(118,655)
-	-	-	162,000
25,455	46,565	-0-	43,345
38,069	264,430	-	574,010
\$ 63,524	\$ 310,995	\$ -0-	\$ 617,355

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended September 30, 2005

Net change in fund balances - total governmental funds \$ 43,345

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 968,072	
Depreciation expense	<u>(8,106)</u>	
Excess of capital outlay over depreciation expense		959,966

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

(Decrease) in deferred revenue	(89,186)
--------------------------------	----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (162,000)	
Bond and note principal retirement	<u>291,186</u>	
Excess of bond and note principal retirement over note proceeds		129,186

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(2,834)</u>
--	----------------

Change in net assets of governmental activities \$ 1,040,477

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES - DRAINAGE DISTRICTS

Year Ended September 30, 2005

	Enterprise		
	Big Whitefish Lake	Little Whitefish Lake	Total
OPERATING REVENUES			
Charges for services	\$ 89,981	\$ 68,014	\$ 157,995
OPERATING EXPENSES			
Contractual services	36,595	17,515	54,110
Depreciation	23,368	51,411	74,779
Other	19,484	17,280	36,764
TOTAL OPERATING EXPENSES	79,447	86,206	165,653
OPERATING (LOSS)	10,534	(18,192)	(7,658)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	567	26,851	27,418
Interest expense	(4,813)	(64,188)	(69,001)
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,246)	(37,337)	(41,583)
CHANGE IN NET ASSETS	6,288	(55,529)	(49,241)
Net assets, beginning of year	719,076	1,746,381	2,465,457
Net assets, end of year	\$ 725,364	\$ 1,690,852	\$ 2,416,216

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
- DRAINAGE DISTRICTS

Year Ended September 30, 2005

	Enterprise		
	Big Whitefish Lake	Little Whitefish Lake	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from users	\$ 90,280	\$ 89,697	\$ 179,977
Cash paid to suppliers	(52,296)	(34,234)	(86,530)
NET CASH PROVIDED BY OPERATING ACTIVITIES	37,984	55,463	93,447
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(4,813)	(64,188)	(69,001)
Payments of borrowings	(14,000)	(16,000)	(30,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(18,813)	(80,188)	(99,001)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	567	26,851	27,418
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	19,738	2,126	21,864
Cash and cash equivalents, beginning of year	147,560	508,075	655,635
Cash and cash equivalents, end of year	\$ 167,298	\$ 510,201	\$ 677,499
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ 10,534	\$ (18,192)	\$ (7,658)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	23,368	51,411	74,779
Decrease in accounts receivable	299	182	481
Decrease in special assessments receivable	-	21,501	21,501
Increase in accounts payable	1,238	871	2,109
Increase (decrease) in accrued interest	2,545	(310)	2,235
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 37,984	\$ 55,463	\$ 93,447

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2005, which collectively comprise Montcalm County's basic financial statements, and have issued our report thereon dated January 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclosed all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montcalm County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Montcalm County in a separate letter dated January 19, 2006.

This report is intended solely for the information and use of the management and Board of Commissioners of Montcalm County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 19, 2006

Montcalm County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

September 30, 2005

Montcalm County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Compliance

We have audited the compliance of Montcalm County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2005. Montcalm County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Montcalm County's management. Our responsibility is to express an opinion on Montcalm County's compliance based on our audit.

Montcalm County's basic financial statements include the operations of the Road Commission of Montcalm County, which received \$299,740 in federal awards during the year ended September 30, 2005, and the Mid-Michigan District Health Department, which received \$1,497,118 in federal awards during the year ended September 30, 2005. Our audit described below did not include the operations of the Road Commission of Montcalm County or the Mid-Michigan District Health Department because the component units have engaged auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Montcalm County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Montcalm County's compliance with those requirements.

In our opinion, Montcalm County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2005.

Internal Control Over Compliance

The management of Montcalm County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Montcalm County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County as of and for the year ended September 30, 2005, and have issued our report thereon dated January 19, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Montcalm County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 19, 2006

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Michigan Department of Natural Resources				
Schools and Roads - Grants to States 2005	10.665	N/A	\$ 2,094	\$ 2,094
Water and Waste Disposal Systems for Rural Communities ^(c)	10.760	N/A	<u>956,000</u>	<u>956,000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			958,094	958,094
U.S. DEPARTMENT OF HOUSING AND AND URBAN DEVELOPMENT				
Passed through Michigan Department of Commerce				
Community Development Block Grants (CDBG) State's Program	14.228			
FY 04/05 (Housing)		MSC-2004-0765-HOA	168,280	168,280
U.S. DEPARTMENT OF JUSTICE				
Passed through Michigan Department of Community Health				
Office of Drug Control Policy Byrne Formula Grant Program	16.579			
Central Michigan Enforcement Team ^(a) FY 04/05		2004-DB-BX-0052	221,450	221,450
Office of Justice Programs Bureau of Justice Assistance (Direct Program)				
Local Law Enforcement Block Grants Program	16.592			
FY 04/05		2004-LB-BX-0863	<u>8,041</u>	<u>8,041</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			229,491	229,491
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through the Michigan State Police				
2002 Supplemental Planning Grant	97.051	N/A	20,000	20,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan, Inc.				
Title III-B Special Programs for Aging (Grants for Supportive Services and Senior Centers)	93.044			
FY 04/05		51.76	42,626	42,626

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan, Inc. - continued Title III-E National Family Caregiver Support (Adult Day Care) FY 04/05	93.052	51.76	\$ 17,780	\$ 17,780
Passed through Michigan Department of Health and Human Services				
Child Support Enforcement (Title IV-D)	93.563			
Cooperative Reimbursement - Friend of the Court ^(a)		CS/FOC-05-59001	402,860	402,860
Cooperative Reimbursement - Prosecuting Attorney ^(a)		CS/PA-05-59002	65,015	65,015
FY 04/05 Federal Incentive Payments - FOC ^(b)		N/A	<u>163,782</u>	<u>163,782</u>
			<u>631,657</u>	<u>631,657</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			692,063	692,063
U.S. DEPARTMENT OF HOMELAND SECURITY				
The State Homeland Security Grant Program				
Passed through Michigan Department of State Police Emergency Management Division				
State Domestic Preparedness				
Equipment Support Program ^(c)	97.004 ^(d)			
2003 Homeland Security Training Grant		N/A	11,952	11,952
2003 Solutions Area Planner		N/A	13,895	13,895
2004 Homeland Security Training Grant		N/A	372,126	372,126
Exercise Grant		N/A	<u>8,860</u>	<u>8,860</u>
			406,833	406,833
Homeland Security Grant Program ^(c)	97.067 ^(d)			
FY 04/05 EMPG Regular		N/A	<u>9,487</u>	<u>9,487</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>416,320</u>	<u>416,320</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 2,484,248	\$ 2,484,248

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2005

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Montcalm County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements, which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Cooperative Reimbursement	93.563	66 %
Central Michigan Enforcement Team	16.579	50

- (b) The reimbursements for the Friend of the Court Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes program tested as a "major program".
- (d) Denotes programs required to be clustered by United States Department of Homeland Security.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the September 30, 2005, Basic Financial Statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/State Revenue</u>	<u>Less: State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Cooperative Reimbursement				
Prosecuting Attorney	\$ 66,540	\$(1,525)	\$ -	\$ 65,015
Other Programs	<u>1,174,312</u>	<u>(1,174,312)</u>	-	<u>-0-</u>
TOTAL GENERAL FUND	1,240,852	(1,175,837)	-0-	65,015
SPECIAL REVENUE FUNDS				
Friend of the Court	584,096	(17,454)	-	566,642
Law Enforcement	8,041	-	-	8,041
Commission on Aging	147,186	(86,780)	-	60,406
Homeland Security Grant	406,861	-	-	406,861
CDBG - Housing	168,280	-	-	168,280
CMET	221,450	-	-	221,450
Other Programs	<u>735,201</u>	<u>(735,201)</u>	-	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,271,115	(839,435)	-0-	1,431,680

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2005

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	Federal/State Revenue	Less: State Revenue	Adjustments	Federal Expenditures
ENTERPRISE FUNDS				
Ambulance	\$ 29,459	\$ -	\$ -	\$ 29,459
TRUST AND AGENCY FUNDS				
Trust and Agency	-	-	2,094 ^(c)	2,094
TOTAL PRIMARY GOVERNMENT	3,533,385	(2,007,231)	2,094	1,528,248
COMPONENT UNITS				
District Health				
Special Revenue	2,626,395	- ^(a)	(2,626,395)	-0-
Drainage Districts				
Capital Projects	956,000	-	-	956,000
Road Commission				
Special Revenue	6,703,633	- ^(b)	(6,703,633)	-0-
TOTAL COMPONENT UNITS	10,286,028	-0-	(9,330,028)	956,000
TOTAL REPORTING ENTITY	<u>\$13,819,413</u>	<u>\$(2,007,231)</u>	<u>\$(9,327,934)</u>	<u>\$ 2,484,248</u>

Following is a summary of the adjustment in the above schedule:

- (a) The District Health Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level as they are a discretely presented component unit whose audit, issued under separate cover, was conducted separately under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the District Health Department administrative offices.
- (b) The Road Commission Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level as they are a discretely presented component unit whose audit, issued under separate cover, was conducted by other auditors under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the Road Commission administrative offices.
- (c) The adjustment related to amounts reported as an increase when received and a decrease when disbursed within the trust and agency fund's activity because the County acts in a trustee capacity of these funds and distributes them to the local units of government and therefore does not recognize the funds as revenue of expenditures, but recognizes the amounts as expenditures in the Schedule of Expenditures of Federal Awards as of September 30, 2005 in accordance with OMB Circular A-133.

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2005, which collectively comprise Montcalm County's basic financial statements, and have issued our report thereon dated January 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Montcalm County in a separate letter dated January 19, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montcalm County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Montcalm County in a separate letter dated January 19, 2006.

This report is intended solely for the information and use of management and the Board of Commissioners of Montcalm County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 19, 2006

Montcalm County, Michigan

SCHEDULE OF FINDINGS

Year Ended September 30, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts, and grant agreements that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings related to internal controls or compliance related to the major programs tested.

The major programs tested to cover 25 percent of the total Federal expenditures were the Water and Waste Disposal for Rural Communities (CFDA 10.760) program and the Homeland Security Cluster, which included State Domestic Preparedness Equipment Support (CFDA 97.004) program and Homeland Security Grant (CFDA 97.067) program. Total Federal expenditures for the year ended September 30, 2005 for these major programs were \$1,375,320, which is approximately 55 percent of total Federal expenditures. It was determined that the County did qualify as a low-risk auditee.

The County had three (3) Type A programs, the Water and Waste Disposal for Rural Communities (CFDA 10.760) program; the Homeland Security Cluster, which included State Domestic Preparedness Equipment Support (CFDA 97.004) program and Homeland Security Grant (CFDA 97.067) program; and the Child Support Enforcement (Title IV-D) (CFDA 93.563) program. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

None

Findings Related to Compliance with Requirements Related to the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

Montcalm County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

Principals

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MANAGEMENT LETTER

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Montcalm County, Michigan, for the year ended September 30, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Billings for the taxes chargebacks and reconciliation should be done on a monthly basis.

During the course of our audit it was noted that the billing for the taxes chargebacks were not performed during the current fiscal year. Our audit comments in previous years have included a suggestion that the Treasurer's office prepare chargeback billings and a reconciliation to the general ledger on a monthly basis. In discussions with County personnel, it was noted that billings for taxes chargebacks are usually only performed once a year. As of September 30, 2005, the total amount receivable from other local units of government was \$284,375. Billing for taxes chargebacks on a monthly basis will improve cash flow, increase the County's earnings potential of interest revenue, and simplify the reconciliation process with the general ledger maintained by the Controller's office.

We suggest that the Treasurer's office prepare these billings and reconciliation on a monthly basis to increase the speed of collections and simplify the reconciliation process with the Controller's office.

2. The County should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the County had outstanding checks listed in its bank reconciliations that were more than a year old. The Michigan Public Act 29 of 1995 provides that the County report and escheat unclaimed property to the State of Michigan that is greater than one year old.

We suggest the County attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the County review their unclaimed property and escheat funds to the State of Michigan as necessary.

3. The Board should amend the County's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the County has not amended their investment policy to address various areas of risk as described by GASB Statement No. 40. Deposit and investment resources often represent significant assets of the County's funds. These resources are necessary for the delivery of the County's services programs, or to carry out its fiduciary responsibilities. Effective for the year ended September 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the County's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the County's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements, dated January 19, 2006.

This report is intended solely for the use of management and the Board of Commissioners of Montcalm County, and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 19, 2006